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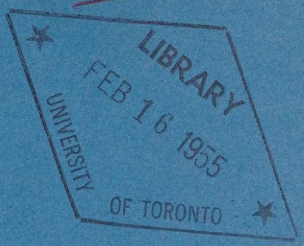
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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1952 AND INTERNATIONAL INVESTMENT POSITION

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TABLE OF CONTENTS

	Page
The Canadian Balance of International Payments 1952	5
Summary	5
Bilateral Changes	6
Factors Affecting the Exchange Rate	7
Quarterly Changes in the Current Account	8
Changes in the Current Account	9
Capital Movements	15
Canada's International Investment Position	21
United States Investments in Canada	23
British and Other Overseas Investments in Canada	24
Canadian Direct Investments Abroad	24

LIST OF STATEMENTS

1	Summary of the Balance of Payments between Canada and All Countries 1950-1952	5
2	Summary of Current Account Balances between Canada and the Principal Countries and Areas 1946-1952	6
3	Foreign Exchange Rates: U.S. dollar in Canada	7
4	Quarterly Current Account Balances between Canada and the Principal Countries and Areas 1950-1952	8
5	Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, Annual 1949-1952 and Quarterly 1951-1952	10
6	Summary of Changes in Principal Elements of Canada's Current Account with All Countries 1952	11
7	International Travel Expenditures between Canada and Other Countries 1948-1952	11
8	Receipts and Payments of Interest and Dividends between Canada and All Countries 1949-1952	12
9	Freight and Shipping Transactions between Canada and Other Countries 1950-1952	13
10	Miscellaneous Current Transactions with All Countries Revised 1951 and Preliminary 1952	14
11	United States Direct Investment in Canada 1946-1952	15
12	Transactions in Canadian Securities between Canada and Other Countries 1952	17
13	Canada's Official Holdings of Gold and U.S. dollars 1946-1952	18
14	Estimated Composition of "Other Capital Movements" 1950-1952	19
15	Revised Statement of Capital Movements between Canada and the United States 1946-1952	20
16	Summary of Current and Capital Transactions between Canada and the Sterling Area 1946-1952	20
17	Summary of Canada's Balance of International Indebtedness, Selected Year Ends	21
18	Estimated Distribution of Funded Debt of Canadian Governments and Corporations, End of 1952	22
19	Percentage of Non-Resident Ownership of Canadian Industry, End of 1939 and 1950	22
20	Value of United States Investments in Canada 1945, 1949-1952	23

LIST OF TABLES

I	Current and Capital Account of the Canadian Balance of International Payments, Revised Estimates for 1951 and Preliminary Estimates for 1952	26
II	Quarterly Estimates of the Current Account of the Balance of International Payments between Canada and All Countries 1950-1952	27

Table of Contents — Concluded

		Page
III	Current Account between Canada and All Countries 1926-1952	27
IV	Estimate of the Canadian Balance of International Indebtedness 1939, 1945-1952	28
V	Canadian Long-Term Investments Abroad at End of 1945 and 1951	28
VI	Foreign Capital Invested in Canada, End of 1951, Classification by Types of Security and Nature of National Ownership	29
VII	Foreign Capital Invested in Canada at Selected Year Ends 1926-1951, Classification by Types of Investment and Country of Ownership	30
VIII	United States Direct Investments in All Canadian Businesses at Selected Year Ends 1926-1951, Classification by Types of Business	32
IX	Number of Canadian Concerns Controlled in the United States, End of 1951	32

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1952

SUMMARY

Canada had a current account surplus of $151 million in transactions with all countries in 1952 indicating a net export of capital. This surplus is in contrast to the deficits of 1950 and 1951 reflecting net imports of capital. In 1950 the excess of imports of goods and services was $334 million, while in 1951 the deficit rose to $517 million.

Most of this change occurred in the abrupt swing from a deficit to a surplus on commodity account. For the year as a whole the trade balance shown in the balance of payments improved by $637 million to reach a surplus of $490 million. This change also greatly altered the bilateral pattern of the current account, with a sharp increase in the surplus with overseas countries.

The main factor in the change in the trade balance was the improvement of the terms of trade by 13% over 1951. This change was due to a substantial fall in import prices while export prices were only slightly lower. The resulting improvement in the terms of trade occurred mainly in the last half of 1951 and the first half of 1952. In the last half of 1952 this trend was checked.

The volume of both exports and imports increased sharply to new peaks. But as the percentage changes were not widely different the effect of these increases on the commodity balance with all countries was overshadowed by the price changes.

The deficit on non-merchandise items was $339 million in 1952, a decrease of $31 million over 1951. While the balances on travel account and inheritances and migrants' account deteriorated, improvements in the other items and particularly on interest and dividend account more than offset this deterioration. The deficit from all of these transactions continues to be high because of large payments on income and travel account and for business services.

The change from current deficit to surplus began in the fourth quarter of 1951, after a short period of large quarterly deficits following the outbreak of hostilities in Korea. The improvement in the fourth quarter of 1951 and throughout 1952 was mainly due to a change from a deficit to a surplus in the balance on commodity trade. The quarterly trade surpluses of 1952, however, were well below those of the fourth quarter of 1951.

In 1951 prepayments to the United States Government for the replacement of equipment and for other defence purchases were an element contributing to the current account deficit since they exceeded actual defence imports. In 1952, by contrast, defence imports exceeded payments and this contributed to the surplus on current account. The effect of this treatment on the current account balance is discussed further below.

Along with the improvement in the commodity balances, a dominating factor in the balance of payments was the continued large inflow of funds for direct investment and from the sale of new Canadian issues abroad. While the change in the

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries 1950-1952

(Millions of dollars)

—	1950	1951	1952	Change in 1952
Commodity exports (adjusted)[1]	3,139	3,950	4,336	+ 386
Commodity imports (adjusted)[1]	3,129	4,097	3,846	- 251
Balance on commodity trade	+ 10	- 147	+ 490	+ 637
Balance on all other current transactions	- 344	- 370	- 339	+ 31
Current account balance	**- 334**	**- 517**	**+ 151**	**+ 668**
Direct investment in Canada	+ 222	+ 309	+ 332	+ 23
Net new issues of Canadian securities	- 74	+ 227	+ 230	+ 3
Net trade in outstanding Canadian securities	+ 329	+ 38	- 95	- 133
All other capital movements[2]	- 143	- 57	- 618	- 561
Net capital movement	**+ 334**	**+ 517**	**- 151**	**- 668**

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Including increases (-) of $694 million, $39 million, and $80 million in 1950 to 1952 respectively for the Canadian dollar equivalent of changes in official holdings of gold and U.S. dollars.

current account balance was the main factor in raising the exchange rate during 1952, the heavy capital inflows of the past few years have been a sustained underlying force behind the high value of the Canadian dollar. The movement in the exchange rate during 1952 led, however, to heavy equilibrating outflows of capital through liquidations by non-residents of holdings of outstanding Canadian securities and by short-term movements. As indicated by the current account surplus, capital outflows on balance actually exceeded the heavy inflows by $151 million.

In 1952 Canada contributed $197 million in Mutual Aid to NATO Countries, following contributions of $145 million in 1951 and $57 million in 1950. This aid was in the form of shipments of equipment and supplies and the provision of air training to European aircrews. The current account balance is not affected directly by this aid since capital movements are not involved.

Bilateral Changes

An important development in 1952 was the increase from $434 million to $1,004 million in the surplus with overseas countries. It was this change, rather than the decrease of $98 million in the deficit with the United States, which mainly accounted for the improvement of $668 million in the current account balance. Considering the post-war period only, the surplus of $1,004 million with overseas countries in 1952 was exceeded only by the surplus of $1,183 million in 1947. In 1947, however, export credits and loans extended by the Canadian government were an important factor in maintaining exports to overseas countries.

The increase in the surplus with overseas countries was distributed over all the overseas areas or countries shown in the balance of payments, with the United Kingdom and other sterling area countries accounting for about half of the change. The current surplus with the United Kingdom rose by $154 million to $377 million; this is well over the surpluses of 1950 and 1951, although below those of other post-war years. The small current deficits of 1950 and 1951 with other sterling area countries were changed to a surplus of $115 million, a surplus comparable to those of 1948 and 1949 though less than half that of 1947. The surplus with other O.E.E.C. countries rose by $112 million to $335 million, while that with other overseas countries rose by $165 million to $177 million. Both of these surpluses are higher than any other recorded with these areas in the years since 1946. The current account deficit with the United States fell by $98 million to $853 million.

STATEMENT 2. Summary of Current Account Balances between Canada and the Principal Countries and Areas 1946-1952

(Millions of dollars)

	1946	1947	1948	1949	1950	1951	1952	Change in 1952
Between Canada and:								
United States	- 607	- 1,134	- 393	- 601	- 400	- 951	- 853	+ 98
United Kingdom	+ 500	+ 633	+ 486	+ 446	+ 24	+ 223	+ 377	+ 154
Other sterling area	+ 164	+ 242	+ 129	+ 135	- 23	- 24	+ 115	+ 139
Other OEEC countries	+ 248	+ 276	+ 226	+ 185	+ 108	+ 223	+ 335	+ 112
All other countries	+ 58	+ 32	+ 3	+ 12	- 43	+ 12	+ 177	+ 165
All Countries	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 151**	**+ 668**

These developments were mainly the result of changes in merchandise trade balances. While exports to overseas countries rose by $367 million to $1,991 million, imports fell by $222 million to $1,033 million. The surplus on trade with overseas countries rose accordingly by $589 million to $958 million, while the surplus on other current transactions with overseas countries fell by $19 million to $46 million. The change in the latter was due mainly to larger expenditures in connection with the Colombo Plan and for defence activities.

Total merchandise exports to and imports from the United States, as adjusted for balance of payments purposes, were virtually unchanged from 1951 although a small improvement of $48 million occurred in the trade deficit with the United States. The decrease of $50 million in the deficit on all other current transactions with the United States was due to lower net payments for interest and dividends and miscellaneous items which offset larger net payments on the other accounts, particularly on travel account.

The effect of these changes was to lower the share of the United States in current receipts and raise her share in current payments as compared to 1951, with the converse being true for the share of overseas countries. Developments in 1950 had led to an unusually small amount of imbalance in Canada's current balances with the United States and overseas countries. The heavy exports to overseas countries since the middle of 1951 have tended to restore the bilateral distribution of the years before 1950.

Exchange transfers in settlement of overseas balances amounted to over $1,000 million in 1952, compared with $436 million in 1951, reflecting this bilateral disequilibrium in the current account and relatively small net capital movements with these countries. In earlier post-war years the previous record had been established in 1948 when multilateral settlements received from overseas countries had totalled $778 million. Although the current account surplus with overseas countries was larger in 1947 than in 1952, in the former year a substantial part of it was financed by credits extended by Canada and did not give rise to multilateral settlements. As in the past, the balances of practically all Canada's transactions with overseas countries were convertible and consequently available for the settlement of transactions with the United States. It should not be overlooked, however, that in many countries imports from and capital exports to Canada which directly affect the size of these balances are influenced by the commercial and exchange policies of the countries abroad. These policies are in turn influenced by the funds available from exports to and capital imports from Canada, and from the balances accruing from transactions with other countries.

Factors Affecting the Exchange Rate

The rise in the value of the Canadian dollar to higher levels was a notable development in 1952. The value of the United States dollar in Canadian funds fell from an average of $1.0400 in the fourth quarter of 1951 to an average of $.9635 in the third quarter of 1952, with an average discount for the year 1952 of 2 1/8% compared with an average premium of about 5¼% in 1951.

The immediate determinants of the value of a currency are the supply of and demand for it in international transactions. The balance of payments reflects these factors as sales and purchases of goods and services, and capital flows. The factors behind these transactions are of course the ultimate determinants of the exchange rate when, as has been the case in Canada since October 1950, there has been no official attempt to affect a persistent trend in the rate. These ultimate factors include the competitive position of a country; the level of demand for and supply of goods and services; and the attitude of investors to the prospects of a country. Needless to say, a host of tangible and intangible factors influence these in turn.

As reflected in the balance of payments, the greatest single change influencing the rise in the value of the Canadian dollar was the improvement of $637 million in the commodity balance. A dominating influence, however, on the relatively high value of the Canadian dollar since the exchange rate was freed has been the inflow of long-term capital. The change to a small current surplus in 1952 and the continued inflow of long-term capital exerted pressure on the exchange rate; this pressure sent the Canadian dollar to a sufficient premium over the U.S. dollar to create substantial equilibrating outflows of capital. In part this took the form of the liquidation by non-residents of holdings of outstanding Canadian securities. The major part of the outflow was in other short-term movements however.

STATEMENT 3. Foreign Exchange Rates: U.S. dollar in Canada
(Quotations reported on transactions between banks in the exchange market)

Source: Bank of Canada

1952	High	Low	Noon average
First quarter	101.13¢	98.38¢	100.06¢
Second quarter	98.75	97.19	98.14
Third quarter	97.75	95.88	96.35
Fourth quarter	98.63	96.00	97.02
Year	101.13	95.88	97.89

Closing quotation ..... 1951 ..... 101.1875¢
1952 ..... 97.03125¢

The effects of the increase in the value of the Canadian dollar went far beyond giving rise to capital outflows. The decrease in both export and import prices was a factor in easing the domestic price level. Where items in the current account are normally expressed in foreign currencies in the course of international transactions, the change in the exchange rate would decrease the Canadian dollar values shown for these items in current receipts and payments. Where the change in the exchange rate led to changes in the prices of the commodities and services involved, the actual volume of transactions could be affected as well.

Quarterly Changes in the Current Account

The examination of quarterly statements of the current account shown in Statement 4 and Table II reveals not only the seasonal nature of current transactions but also the timing of the changes referred to above. There is usually a pronounced tendency for the trade balance to be less favourable in the first half of the year than in the last half, and particularly the last quarter, if only the seasonal factor is taken into account. Although non-merchandise items are smaller, their balance fluctuates greatly. The most important seasonal fluctuations in non-merchandise items are the pronounced seasonal peak in travel receipts in the third quarter, and the peak in dividend payments in the fourth quarter. Changes in the international situation and other factors can of course offset the purely seasonal movements.

After the outbreak of hostilities in Korea, a surge in imports led to a deficit on trade account in the fourth quarter of 1950. Combined with a very large increase in dividend payments, this led to an unusual fourth quarter current deficit. In the first half of 1951 the continued rise in imports associated among other things with inventory increases, and the failure of exports to rise as much, were the main factors in the heavy current account deficits of this period. A change occurred in the last half of 1951, especially in the fourth quarter, as the buying wave decreased, the terms of trade improved, and exports to overseas countries rose. The surplus on merchandise trade which appeared in the fourth quarter of 1951 was repeated in each quarter of 1952, though at a much lower level.

The improvement in the current account balance during 1952 as compared to the corresponding quarters of 1951 was concentrated in the first nine months of the year, and particularly in the first half of 1952. Export volume was substantially higher in the first half of 1952 than in the first half of 1951, while import volume was only a little greater than the large volume achieved in the first half of 1951. The terms of trade were much more favourable in this period as compared to the same period of 1951. Comparing the second half of 1952 with the same period of 1951, however, the volume of imports rose much more rapidly than that of exports. A particularly striking increase in the volume of imports occurred in the fourth quarter of 1952; in that quarter, the volume of imports was 30 per cent over that of the fourth quarter of 1951, while the increase in export volume was only 7 per cent. The effect of these differing volume changes on the trade surplus was partly counteracted by the fact that the terms of trade were more favourable in the second half of 1952 than in the same period of 1951. But it is worth noting that the improvement in the terms of trade, which had contributed so much to the improvement in the trade balance in the first half of 1952, had ceased in the last half of the year, while import volume continued to rise in the fourth quarter. The volume increase in imports in the fourth quarter was spread throughout all groups of imports except non-metallic minerals, and reflected a quickening of economic activity throughout many industries and trades. The deficit on non-merchandise items was more evenly distributed in 1952 and was lower in each quarter of 1952 compared to the same quarter of 1951, with the exception of the third quarter.

STATEMENT 4. Quarterly Current Account Balances between Canada and the Principal Countries and Areas 1950-1952

(Millions of dollars)

	1950				1951				1952			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Between Canada and:												
United States	-76	-155	+ 6	-175	-245	-359	-182	-165	-202	-266	-144	-241
United Kingdom	+14	+ 13	—	- 3	+ 8	+ 4	+ 79	+132	+ 85	+156	+ 66	+ 70
Other sterling area	+ 4	+ 4	-14	- 17	- 4	- 21	- 32	+ 33	+ 39	+ 34	+ 19	+ 23
All other countries [1]	+13	+ 33	- 2	+ 21	+ 5	+ 24	+ 70	+136	+107	+116	+128	+161
All Countries	-45	-105	-10	-174	-236	-352	- 65	+136	+ 29	+ 40	+ 69	+ 13

1. Including other O.E.E.C. countries.

Changes in the Current Account

Merchandise trade

The level of merchandise trade has been very high in 1952. Unadjusted trade returns show an increase of 9.9 per cent in the value of exports. This increase was due solely to a volume increase of 11 per cent. Export prices were virtually unchanged, showing a decline of only 1 per cent for the year as a whole, although they fell steadily through 1952. The value of imports as shown in trade returns was 1.3 per cent lower than in 1951. This small decrease in the value of imports, however, reflects wide opposite swings in volume and price. Although the volume of imports rose by 12.6 per cent, a price decrease of 12.6 per cent offset this change.

The marked improvement of 13.2 per cent in the terms of trade was clearly the main factor in reversing the trade deficit of 1951. With high levels of trade, a small change in either volume or price can lead to large changes in both the trade balance and the current account balance. For instance, if exports and imports are each at a level of $4,000 million, an improvement of five per cent in the terms of trade could lead to an improvement of $200 million in the trade surplus if other changes are absent. In actual fact the price and volume changes are related to some degree; the change in prices in 1952, in other words, probably was a factor affecting the volume of trade. To the extent that opposite movements in price and volume are related, a further example of the effect of exchange rate movements is apparent.

Declines in export prices were concentrated mainly in agricultural and animal products and fibres and textiles, with most of the other groups of exports showing relative stability of prices for the year as a whole. The volume of exports also showed a mixed picture by groups, with particularly large increases in agricultural products, non-ferrous metals, and miscellaneous products contrasting with stability or decreases in most of the other groups.

Because of two large crops of wheat and other grains, and strong demands for them, the increase in exports of grains amounted to about three-quarters of the total increase in the value of exports. Wheat exports alone rose by $180 million, while wheat, barley, and oats together rose by $281 million to a total of $835 million. There were also large increases in exports of newsprint, base metals, automobiles and aircraft. These increases more than offset some important decreases, while a large number of exports were relatively unchanged in value. Chief among the decreases was the fall in exports of animals and products associated with the outbreak of foot and mouth disease and the embargo imposed by the United States. Exports of woodpulp, and of planks and boards were also lower.

The greater part of the increase in the value of exports in 1952 was represented by sales to overseas countries. Heavy exports of grains accounted for most of the increase to overseas countries, while exports of newsprint, non-ferrous metals and automobiles were also much higher. The major increases in exports to the United Kingdom were in wheat, beef and veal, aluminum, and some of the wood products. Sharp increases in exports of wheat and barley were mainly responsible for the rise in exports to western European countries. Belgium and Luxembourg, our third largest customer, took $104 million of Canadian exports in 1952 of which about two thirds was made up of grains. A particularly large increase occurred in exports to Western Germany, which rose by about 150 per cent. The increase in exports to sterling area countries other than the United Kingdom consisted mainly of an increase in exports of wheat to India, partly financed by Canada's contribution to the Colombo Plan. A number of exports to sterling area countries fell during 1952, however. Latin American countries made large purchases of automobiles and wheat and increased their purchases of a number of other commodities. Our largest market in that area in 1952 was Brazil; Canadian exports to Brazil rose by $28 million to $81 million.

Exports to a number of other countries showed striking increases over 1951. Exports to Japan rose by $30 million to $103 million. Exports to Yugoslavia and Egypt also showed very large increases. In all of these cases increased exports of grains or flour were the main factors in raising total exports.

The value of exports to the United States showed little change from the high levels of 1951. Larger exports of newsprint, aircraft, grains and base metals were offset by decreases in exports of beef, cattle and woodpulp.

All groups of imports showed price declines for 1952 compared to 1951, with the largest declines occurring in agricultural and animal products, fibres and textiles, and miscellaneous products. The effect of the price declines on the value of imports was largely offset by increases in volume in most groups of imports. The volume of imports for 1952 exceeded that of any other year. The most striking volume increases were in imports of a number of miscellaneous products, including aircraft, and machinery, engines and other products in the iron and products group. While the volume increase for the year was 12.6 per cent, the increase in the volume of imports in the second half of 1952 over the second half of 1951 was nearly twice this change.

A number of important imports fell in value terms; some of the larger decreases were in imports of sugar, rubber, raw cotton, rolling mill products, petroleum and coal. In some cases large increases in volume more than offset price declines. The major increases in value were in imports of non-farm machinery and parts, engines, electrical apparatus, and aircraft and parts. Imports from the United States of these items increased as investment in Canadian industry and defence activity grew, while most of the other imports from the United States were maintained at a high level. An exception

was imports of raw cotton, which fell in response to the world slump in demand for textiles.

Of the overseas areas or countries shown in the balance of payments, only imports from Latin America showed a rise. The increase in sugar and cotton imports from Latin America was largely a shift from other foreign sources of supply. The main factor in decreasing imports from the United Kingdom was the fall in the demand for textiles and the sharp price decreases associated with it. Decreases also occurred in imports of automobiles from the United Kingdom, but there were increased purchases of machinery. A sharp drop in the prices of rubber, wool, sugar, and other imports was mainly responsible for the decrease in the value of imports from other sterling area countries. Imports from countries in Western Europe were affected by the fall in the demand for textiles and also by a decrease in imports of rolling mill products.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports

1948 = 100

Year and Quarter	Price Indexes		Terms of Trade	Volume Indexes	
	Exports	Imports		Exports	Imports
1949	103.3	102.6	100.7	94.2	102.0
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.3	110.4	114.9	138.1
1951 I Quarter	118.0	122.6	96.2	89.2	116.9
II Quarter	122.5	129.4	94.7	98.9	135.8
III Quarter	125.5	127.9	98.1	108.2	123.1
IV Quarter	126.0	122.1	103.2	116.7	116.8
1952 I Quarter	124.8	117.2	106.5	103.0	118.2
II Quarter	122.2	111.0	110.1	117.9	140.8
III Quarter	120.7	107.1	112.7	113.6	140.6
IV Quarter	119.9	108.1	110.9	124.8	151.4

Note. Indexes indicate movements in unadjusted trade data.

When adjusted for balance of payments purposes, the decrease in the value of imports in 1952 is larger than that shown in the trade returns. Apart from the usual adjustments for non-commercial items and duplication with other parts of the current account, adjustments in 1951 and 1952 take account of the re-appearance of abnormal movements of commodities on government account. Payments on defence contracts abroad by the Canadian Government have been substituted for actual direct defence imports; on the export side, likewise, payments by other governments for defence orders in Canada have been substituted for exports on defence contracts, but these have not diverged greatly from actual exports. Among other things, this treatment brings the timing of movements of goods and of payments into conformity and avoids therefore the introduction of abnormal capital account entries which are not related to normal commercial leads and lags. It also accounts for defence purchases abroad which are delivered directly overseas. This procedure gives a better approximation to the actual values as finally determined, since the proper values to be assigned to shipments of these types are often not known at the time of shipment.

Since payments exceeded actual imports in 1951, this adjustment raised the deficit on trade. Other adjustments to trade, such as the deduction of tourist purchases included in the travel account, substantially offset this effect in that year. In 1952 actual defence imports exceeded payments, so that the adjustment raised the trade surplus, while other adjustments were in the same direction. The various adjustments to commodity trade in 1952 had the effect of raising the trade surplus as shown by customs returns by one half. Although the effects of these adjustments on a small current account balance are large, the effects on total imports or exports are quite small and in the two years together the net adjustments on defence account largely cancel out. The combined effect of the adjustments in 1951 and 1952 is to reduce the increase in volume of imports in 1952 to about half of that shown above for unadjusted trade data.

STATEMENT 6. Summary of Changes in the Principal Elements of Canada's Current Account with All Countries, 1952

(Millions of dollars)

—	1949	1950	1951	1952[2]	Change in 1952
Exports (adjusted)[1]	2,989	3,139	3,950	4,336	+386
Imports (adjusted)	2,696	3,129	4,097	3,846	-251
Balance on commodity trade	+293	+ 10	-147	+490	+637
Balance on all other current transactions	-116	-344	-370	-339	+ 31
Gold production available for export	+139	+163	+150	+150	—
Travel expenditures	+ 92	+ 49	- 6	- 60	- 54
Interest and dividends	-307	-384	-335	-267	+ 68
Freight and shipping	+ 50	- 17	- 3	+ 2	+ 5
Inheritances and migrants' funds	+ 9	- 4	+ 7	- 13	- 20
All other current transactions	- 99	-151	-183	-151	+ 32
Current account balance	+177	-334	-517	+151	+668

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Subject to revision.

The value of non-monetary gold available for export was unchanged from 1951 to 1952 at a level of $150 million. Although production increased to the highest level in the post-war years this increased volume was offset by the lower Canadian dollar return resulting from the increase in the value of the Canadian dollar. Prior to November 1, 1951, this item included only the sales by the Mint to the Exchange Fund and a small amount which was exported in the form of concentrates. Since then sales abroad of commercial gold by producers are included, but increases in stocks held at the Mint in safekeeping for the mines are excluded.

Travel account

The adverse balance on travel account which first appeared in 1951 widened to $60 million in 1952 from $6 million in 1951. Most of this change was in the account with the United States which for the first time showed a deficit of $36 million. This compared with a small surplus in 1951 and a surplus of $154 million in 1948 when restrictions on Canadian travel expenditures in United States dollars were at their greatest.

Expenditures by United States travellers in Canada have been comparatively stable in the post-war years while expenditures of Canadian travellers in the United States have been rising sharply each year since 1948. The gain in the latter in 1952 was 20% following an increase of 27% in the previous year. Rising incomes in Canada, widened ownership of automobiles, shopping opportunities abroad, and a growing tendency to take vacations throughout the year all seem to have contributed to this trend. There was for instance a sharp rise in Canadian incomes and expenditures on consumption in 1952.

STATEMENT 7. International Travel Expenditures between Canada and Other Countries 1948-1952

(Millions of dollars)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
1948	267	113	+ 154	12	21	- 9	279	134	+ 145
1949	267	165	+ 102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952[1]	258	294	- 36	18	42	- 24	276	336	- 60

1. Subject to revision.

The rise in numbers of Canadian visits to the United States by automobiles for a period of over one day was 27%. Purchases by returning travellers from the United States under the $100 customs exemption privilege amounted to almost one quarter of Canadian expenditures on travel abroad, a gain of some 42% over the previous year. In 1952 a rising proportion of expenditures in the United States were in the first half of the year but the summer months were still the most popular period for travel to the United States accounting for about one-third of the annual total.

Expenditures by United States travellers in Canada in contrast have remained comparatively stable in recent years. Although the number of visitors has been increasing each year the duration of the average visits has been declining. A larger proportion of travel is made up of short-term traffic. This tendency to spend less time in Canada has been strong enough to offset the rising volume of entries. Well over one half of United States expenditures on travel in Canada continued to be in the third quarter of the year in 1952.

Travel between Canada and overseas countries has been increasing with a larger deficit than formerly arising from a considerable increase in the expenditures of Canadians in the United Kingdom and Europe.

Income account

The improvement of $68 million in the deficit on interest and dividend account reflects both an increase in receipts and a decrease in payments of almost equal size. Interest receipts from the United States were higher, but the main factor increasing receipts was a large rise in dividend receipts from the United States. Payments of interest were virtually unchanged, with the retirements of recent years and a higher rate of exchange in 1952 offsetting the increased payments necessitated by the large new issues over the past few years.

The decrease in dividend payments followed on a decrease of similar proportions in 1951. The fall from 1950 to 1951 was partly a matter of timing; the very high level of dividend payments in the fourth quarter of 1950 was due to some extent to administrative changes by the exchange control which among other things permitted remittance of earnings on a quarterly rather than an annual basis. The fall in dividend payments in 1952 was almost wholly limited to subsidiaries of United States concerns in Canada. It is not possible to determine whether decreased earnings were an important factor in this change, since the earnings of these companies did not follow a clear cut pattern. In any case, since these companies have been retaining much of their earnings in Canada over a number of years, a small change in the level of their earnings would not be indicative of changes in dividend payments. Nor can the decrease in payments be related to the exchange rate; the rate was highly favourable to the transfer of such earnings. A number of specific factors in various industries seem to have been responsible for the decrease, including such factors as the desire to retain earnings for use in Canada. The pattern was however quite mixed even within specific industries. The increase of dividend receipts was also related to specific decisions of Canadians to withdraw profits, rather than to longer term factors.

STATEMENT 8. Receipts and Payments of Interest and Dividends between Canada and All Countries 1949-1952

(Millions of dollars)

	Receipts		Payments		Balance
	Interest	Dividends	Interest	Dividends	
1949	26	57	104	286	- 307
1950	28	63	109	366	- 384
1951	53	62	114	336	- 335
1952[1]	60	86	115	298	- 267

1. Subject to revision.

It is interesting to note that the relative importance of interest and dividends has declined considerably over a period of years. In 1938-39, interest and dividend payments amounted to 22 per cent of total current receipts; in 1926-30 they were 18 per cent. In the years from 1946-51 as a whole they had fallen to only 9 per cent, and in 1952 they were only 7 per cent of total current receipts. As in past years, however, the balance on interest and dividend account continues to be the largest deficit on current account. The most flexible element contributing to this deficit is in dividends paid by subsidiaries to parent companies. Interest payments are still much lower than in the interwar period, although there have been increases recently due to larger non-resident holdings and higher interest rates on new issues.

Miscellaneous income receipts and payments of $30 million and $40 million respectively in 1952 are included among miscellaneous current transactions rather than in the interest and dividends item.

Freight and shipping transactions

Freight and shipping transactions have been close to balance in the last two years. This has been the result of a variety of offsetting changes. Canada's ocean fleet has changed in both size and the nature of its operations, ocean shipping rates have fluctuated widely and there has been a growing volume of traffic on which there are inland freight receipts and payments at higher rates. Changes in the exchange rate for the Canadian dollar have also affected the item.

STATEMENT 9. Freight and Shipping Transactions between Canada and Other Countries 1950-1952

(Millions of dollars)

—	1950	1951	1952[1]
RECEIPTS BY CANADA			
Ocean Shipping:			
Canadian ships:			
Gross earnings on exports	48	54	45
Charter receipts	6	12	38
Inter-port revenues	16	34	
Sub-Total	**70**	**100**	**83**
Expenditures of foreign ships in Canada	38	40	43
Gross Shipping Receipts	108	140	126
Inland freight on exports	142	177	201
Intransit revenues	28	28	25
Other receipts	6	6	8
Gross Receipts	**284**	**351**	**360**
PAYMENTS BY CANADA			
Ocean Shipping:			
Expenditures abroad of Canadian shipping companies	20	23	52
Charter payments	18	27	
Freight on imports via Canadian ports	66	76	70
Gross Shipping Payments	**104**	**136**	**122**
Inland Rail Freight in U.S. on Imports:			
Coal via vessel	53	49	48
Coal via rail	40	38	33
Other rail freight	80	97	115
Sub-Total	**173**	**184**	**196**
Miscellaneous Payments	24	34	40
Gross Payments	**301**	**354**	**358**

1. Subject to revision.

Ocean shipping transactions were close to balance in 1952 as in 1951 with a considerable contraction in the gross value of transactions reflecting mainly declines in ocean freight rates. The net receipts of both Canadian and foreign operators of ships were affected by this trend. As a result the net receipts of Canadian operators affecting the balance of payments were down about as much as the drop in payments to foreign operators. Considerable parts of the reduced payments were due to lower transportation costs of imported petroleum and products. Some sales of Canadian ships to non-residents during 1951 and 1952 also affected the year's results.

The net improvement on freight and shipping account from a small deficit to a small surplus in 1952 was chiefly due to the greater increase in receipts on inland freight from Canadian exports than in payments on inland freight to United States railways on Canadian imports. The increase in exports was chiefly on exports of grain and other commodities to overseas countries through Canadian ocean ports. Receipts and payments of inland freight between Canada and the United States were affected by the higher value of the Canadian dollar as well as by an increase in international rates in May 1952.

Inheritances and migrants' funds

Net transfers of inheritances and migrants' funds changed from a surplus of $7 million in 1951 to a deficit of $13 million. This was due to an increase in emigrants' transfers, occasioned by a rise in volume of emigration to the United States and the United Kingdom and the complete removal of restrictions on the transfer of funds from Canada. Immigrants' funds also rose but this was due to a change from 1951 in the pattern of immigration rather than to larger numbers of immigrants. Immigration from the United States, the United Kingdom, and the other sterling area countries increased, particularly that from the United Kingdom. The number of immigrants from Western Europe and especially from the countries not included in the areas just mentioned was lower. Since the groups which increased in volume had larger average transfers than those which decreased, total receipts rose in spite of an overall decrease in the number of immigrants.

Miscellaneous current transactions

All other current transactions together usually yield a deficit which is second only to that of interest and dividends. In 1952 this deficit was reduced by $32 million to $151 million. The main factors in this improvement were increased receipts on government account from the United States and lower payments for business and other services. These changes offset higher payments on government account to overseas countries. The government transactions shown below exclude merchandise transactions, Canadian Mutual Aid to NATO Countries, and the servicing of debt.

Most of the change in this group of transactions reflects increased defence activity in Canada and elsewhere. There was a large increase in receipts connected with defence activity between Canada and the United States, while payments to the United Kingdom and other O.E.E.C. countries rose because of Canada's commitments in the North Atlantic Treaty Organization. The increase in payments to other sterling area countries reflects expenditures under the Colombo Plan. Approximately $15 million is included in the government account for this item, most of which is an offset to exports of merchandise.

Among the more important receipts of miscellaneous income are the profits of Canadian banks and insurance companies resulting from operations abroad. Interest on loans and advances is also included with miscellaneous income, and is particularly large on the payments side. Another large payment arises from income on estates and trusts. A main factor in raising payments for personal remittances is the increased number of military personnel and technical workers from the United States now in Canada.

The item of business services and other transactions consists mainly of a wide range of business services such as royalties, patents and copyrights, charges for administration and management, commissions, and similar items. Payments for business services fell somewhat in 1952, according to preliminary estimates, but have remained at a very high level. The higher value of the Canadian dollar contributed to this reduction. A large part of these services are associated with direct investment in Canada and Canadian direct investment abroad. The high rate of investment, trade, and economic activity in general in recent years has led to very large payments for engineering and other services to firms in the United States in particular. The bulk of the other transactions included with business services is made up of the international transactions of railways. Also included in other transactions are insurance items such as premiums and claims, and receipts and payments of commuters and migrant labour.

STATEMENT 10. Miscellaneous Current Transactions with All Countries
Revised 1951 and Preliminary 1952

(Millions of dollars)

	1951		1952	
	Receipts	Payments	Receipts	Payments
Government transactions, n.o.p.	61	55	120	87
Personal and institutional remittances	18	44	20	50
Miscellaneous income[1]	29	27	30	40
Business services and other transactions	141	306	143	287
Total	**249**	**432**	**313**	**464**

1. Including transfers of branch profits by insurance companies.

Mutual Aid to NATO Countries

Included in this account are the contributions by the Canadian Government to North Atlantic Treaty countries under the Defence Appropriation Act. The contributions include shipments of equipment and supplies and the provision of air training to European aircrews. The shipments are excluded from the export statistics published by the Bureau. They are included in total current receipts in order to show the total of goods and services supplied to other countries. Since they are unilateral transactions, however, in the form of a contribution,

they are offset in current payments. They do not affect the current account balance, which is a measure of the net capital movement.

Canadian Mutual Aid to NATO Countries has amounted to $57 million, $145 million and $197 million respectively in 1950, 1951 and 1952. This aid is not distributed by areas, nor is it shown on a quarterly basis.

Other official contributions

Other official contributions by the Canadian government are included in the government expenditures part of miscellaneous current payments and also in merchandise exports insofar as the aid takes that form. In 1952 the principal element included is the Canadian contribution under the Colombo Plan which amounted to approximately $15 million in the account with Other Sterling Area countries. Other contributions in 1952 were comparatively small. In the previous year there were a variety of contributions to such organizations as the International Refugee Organization, United Nations Korean Relief Agency, Palestine Relief and the United Nations International Childrens' Emergency Fund.

In addition to official contributions there are private contributions by Canadian organizations and individuals. When these private contributions are in kind they are excluded from the balance of payments but insofar as they represent cash remittances these contributions are included among miscellaneous current payments.

Capital Movements

Capital movements during the year 1952 are of particular interest as an example of inter-relationships between various elements of the capital account and the exchange rate. The dominant factor, as in 1951, was the inflow of long-term capital to finance Canadian development. But in 1952, in contrast to the preceding year, there were very large outflows of capital arising from the repatriation of Canadian bonds and debentures held abroad and from short-term capital movements. As described earlier in this report, the co-incidence of a current account surplus with the dominant inflows for development forced the exchange rate to a level where equilibrating outflows took place.

Direct investments in Canada

Movements of capital into Canada for direct investment in foreign controlled companies and branches have risen year by year since the end of the war. These inflows have been particularly large in the past three years, rising from $94 million in 1949 to successive records of $222 and $309 million in 1950 and 1951 and, undeterred by the rising value of the Canadian dollar, reaching $332 million in 1952.

About nine-tenths of the tremendous inflows in each of the years has been investment from the United States, some detail of which appears in

STATEMENT 11. United States Direct Investment in Canada 1946-1952

(Millions of dollars)

—	1946	1947	1948	1949	1950	1951	1952
Inflow of new capital:							
Petroleum exploration, development and refining	2	12	23	59	98	140	124
Transportation	—	—	—	—	18	10	50
Mining	—	2	5	10	30	37	90
Pulp and Paper	20	11	14	3	9	31	7
Finance	15	7	2	3	8	8	[1]
Other manufacturing, and miscellaneous	26	34	35	39	80	83	70
Inflow of new capital	63	66	79	114	243	309	341
Return of capital	25	8	18	30	43	39	35
Net capital inflow for direct investment (Table I, item D1)	38	58	61	84	200	270	306
Net other identified capital movements affecting the investment of U.S. residents in U.S.—controlled enterprises	- 43	- 35	20	17	17	34	140
Net capital inflow	- 5	23	81	101	217	304	446
All other factors including retention of profits, revaluations, reclassifications, and similar accounting adjustments	129	97	178	187	130	176	172[2]
Net Increase in book value (Table VIII)	124	120	259	288	347	480	618[2]

1. Included with other capital movements.
2. Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross domestic investment as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

Statement 11. As will be seen, the direct investment inflows do not include substantial investment in these companies by unrelated parties in the United States which totalled $140 million in 1952 compared with $34 million in 1951. The total inflow of United States capital associated with direct investment in 1952 was therefore $446 million, an increase over the preceding year of $142 million.

Investment in petroleum exploration, development, and refining fell somewhat from the level in 1951 when there was heavy financing in the closing months of the year to cover capital requirements in 1952. If investment in associated transportation facilities is included, the inflow of United States capital for direct investment in the Canadian petroleum industry accounted for more than one-half the gross inflow for direct investment and was over 20% higher than in 1951. It seems probable, however, that this increase was offset by smaller inflows of other types and that the movement of United States capital into the industry as a whole was not greatly different from the total of $221 million recorded in 1951. At the end of that year United States investment in all branches of the petroleum industry in Canada represented about 52% of the $1,225 million aggregate book value of the industry in Canada[1].

As in the case of the petroleum industry, direct investment inflows into mining have grown each year since 1946. These inflows reached $90 million in 1952 compared with $37 million in 1951, and were largely associated with iron ore development. Other direct investment inflows were somewhat lower in 1952 than in 1951 reflecting the completion of some projects.

In addition to detail of capital inflows for direct investment Statement 11 gives a summary reconciliation of these figures with changes in the book value of United States direct investments in Canada as calculated for the Canadian balance of international indebtedness. This statement is of particular interest as an indication of the substantial part played by retained earnings in the growth of United States direct investment in Canada.

Inflows from the sterling area for direct investment fell from $30 million in 1951 to $15 million in 1952, while those from other overseas countries rose from $9 million to $12 million.

Direct investment abroad

There was a very substantial increase in outflows of capital from Canada for direct investment abroad, which totalled $64 million in 1952 compared with $20 million in the previous year. Movements to the United States totalled $42 million against $4 million in 1951 and were invested in a variety of undertakings including beverage and other manufacturing industries, petroleum and other mining enterprises, and real estate. While the increased outflow probably arose in part from freedom from exchange control, there were also other important factors involved. Investment outflows to the sterling area were unchanged from 1951 at $6 million, while those to other overseas countries totalled $16 million, an increase of $6 million over 1951. Important elements included the provision of additional capital for Canadian enterprises in Latin America, and elsewhere.

1. DBS Reference Paper No. 37. *International Distribution of the Ownership of the Petroleum Industry in Canada.*

Trade in outstanding Canadian securities

Trading in outstanding Canadian securities between Canada and other countries in 1952, for the first time since 1947, led on balance to an outflow of capital. As shown in Statement 12 there was heavy repatriation of government bonds while at the same time non-residents were substantial buyers of corporate securities. In this respect trading in 1952 followed the mixed pattern which developed in mid 1951. The long climb of the Canadian dollar on the exchange markets undoubtedly had a strong influence on transactions in government bonds, and indeed over this period the change in the exchange rate more than offset for non-resident investors the decline in Canadian bond prices.

Month	Price of Government of Canada 3/66[1]	
	Canadian Funds	United States Funds[2]
1945 September	100.00[3]	89.91
1950 September	102.88	93.53
1951 June	97.12	90.82
1952 December	93.74	96.58

1. average of business days
2. converted at noon average exchange rate
3. issue price

Thus a United States investor who in September 1945 elected to accept a yield of 3% on a 21-year Government of Canada issue in preference to a yield of less than 2.4% on a roughly comparable United States issue, could at the end of 1952 have realized a capital profit of some 7% on the investment. And in addition he could now buy into the original United States issue on terms to yield him almost 2.7%.

The capital profit to be realized on these transactions in the face of generally declining bond prices was the inducement provided through the exchange market for capital outflows sufficient to meet some of the demands by non-residents for Canadian funds. These demands arose from the current account balance and from capital inflows such as those for direct investment which were relatively insensitive to exchange rate fluctuations. It was this price factor which led to the outflow. While restrictions on the sale in Canada of non-resident holdings of securities were eliminated with the abolition of exchange control in December, 1951, these restrictions did not apply to the great part of the securities repatriated.

STATEMENT 12. Transactions in Canadian Securities between Canada and Other Countries 1952

(a minus sign indicates an outflow of capital from Canada)

—	Trade in Outstanding Issues	Proceeds of New Issues	Retirements
	(millions of dollars)		
By Type of Security			
Bonds and Debentures:			
Government of Canada, direct	-128	+ 1	-18
Government of Canada, guaranteed	- 28	—	—
Provincial government (inc. gtd.)	- 23	+109	-38
Municipal government	- 5	+ 46	-17
Railways, not guaranteed by Government	+ 8	+ 1	- 7
Other corporations	+ 9	+139	- 8
Sub-total: Bonds and Debentures	**-167**	**+296**	**-88**
Common and Preference Stocks	+ 72	+ 23	- 1
Total (Table I, items D 3, 4, 5)	**- 95**	**+319**	**-89**
By Country			
United States	-105	+317	-75
United Kingdom	- 3	+ 1	- 9
Other O.E.E.C. Countries	+ 8	+ 1	- 5
Other Countries	+ 5	—	—
Total (Table I, items D 3, 4, 5)	**- 95**	**+319**	**-89**

While most of the trading in Government of Canada issues was in bonds payable in Canadian funds only, trading in guaranteed and provincial issues represented largely the repatriation of issues payable in Canadian or United States currency at the holder's option. The rate of liquidation of non-resident holdings of Government of Canada debt declined markedly in the closing months of the year. By the end of 1952 these holdings had been reduced well below the level prevailing prior to the massive capital inflows of 1950.

In the case of corporate securities in contrast to Government bonds, although the rate of inflow tended to decline through the year, the continuing desire of non-residents to participate in Canadian development through ownership of equities and convertible debentures was strong enough to offset the effects of the rising exchange rate.

Common stock prices in Canada and the United States (expressed in U.S. dollars)

December	Canada	United States
	(1949 = 100)	
1950	124	119
1951	162	138
1952	162	148

Sources: DBS Investors' Price Index converted to U.S. dollars at noon average exchange rate. Standard and Poor's composite stock price index. Both indexes converted to base 1949 = 100.

Most of the trading in outstanding Canadian securities between Canada and other countries took place with the United States, a net outflow of $105 million resulting in 1952 in contrast with a net inflow of $20 million in 1951.

Trade with the United Kingdom and other sterling area countries resulted in an outflow of $3 million in 1952, compared with $16 million in the preceding year. Re-purchases of equity securities, including a substantial volume of railway stocks, were partly offset by sales of bonds. Transactions with other overseas countries resulted in an inflow of $13 million, considerably below the total of $34 million reached in 1951. Even at this rate the inflow was many times the level prevailing in any earlier year since the thirties. Most of the demand was for stocks of Canadian companies.

New issues and retirements of Canadian securities

The proceeds of new issues of Canadian securities sold to non-residents totalled $319 million in 1952. This represented a decline of over $90 million from the preceding year but retirements were also lower than in 1951 when there had been substantial redemptions of short-term holdings of Government debt. As a result, the net inflow from new issues and retirements of $230 million in 1952 was slightly higher than in 1951.

Nearly nine-tenths of the new issues of bonds sold abroad were payable optionally or solely in foreign currencies. That new issues remained so heavy despite the exchange rate is a reflection of the high level of interest rates in Canada and of the tremendous growth in outstanding Canadian provincial, municipal and corporate funded debt which increased by about $770 million in 1952 and somewhat less than $650 million in 1951.

In 1952 corporate financing accounted for more than one-half of total new issues, in contrast to 1951 when Canadian governments, mainly provincial, represented 80 per cent of the total.

Transactions in foreign securities

Despite the freedom from Canadian exchange control and the relatively attractive exchange rate Canadians showed little interest in 1952 in United States and other foreign securities, and on balance trading led to repatriation. This was probably influenced, by the heavy demands in the domestic markets for capital of all types coupled with the special tax advantages accruing to Canadian holders of Canadian stocks relative to foreign securities. Furthermore Canadians on the whole have not participated on any large scale in foreign security markets since the thirties. Purchases of foreign new issues totalling $20 million were largely of a special character associated with transactions of the International Bank for Reconstruction and Development and with the financing of foreign corporations having interests in Canada.

Loans by Government of Canada

Repayments on loans by the Government of Canada totalled $56 million in 1952, of which $14 million was a repayment on the loan of 1946 and $23 million on the interest free loan of 1942 to the United Kingdom. The total compared with $68 million in 1951 when United Kingdom payments totalled $48 million.

Change in Canadian dollar holdings of foreigners

Non-residents took advantage of the exchange rate to reduce their holdings of Canadian dollars (bank and other deposits, and treasury bills) by $66 million in 1952. This brought aggregate non-resident holdings to about $340 million, and followed a decrease of $192 million in 1951 when sterling area official holdings of Canadian dollars were substantially reduced.

Change in official holdings of gold and foreign exchange

Official holdings of gold and foreign exchange were increased moderately in both 1951 and 1952. Holdings of gold and United States dollars are shown in Statement 13. It continued to be the policy of the exchange authorities to allow the exchange rate to be determined by the normal play of economic forces without official intervention, except to ensure orderly conditions in the foreign exchange market. No attempt was made to reverse persistent trends, but only to smooth out excessive short-run fluctuations. Holdings of sterling in official accounts decreased in 1952.

STATEMENT 13. Canada's Official Holdings of Gold and U.S. Dollars[1] 1946-1952

(Millions of U.S. dollars)

Year End	Total	Gold	U.S. dollars[2]
1946	1,244.9	536.0	708.9
1947	501.7	286.6	215.1
1948	997.8	401.3	596.5
1949	1,117.1	486.4	630.7
1950	1,741.5	580.0	1,161.5
1951	1,778.6	841.7	936.9
1952	1,860.2	885.0	975.2

1. Exclusive of working balances and minor amounts of gold held against Post Office Savings Bank deposits.
2. United States exchange and short-term securities of the United States Government.

The official holdings of gold and U.S. dollars no longer play a residual role bearing the brunt of any surplus or deficit in all other international transactions as had been the case during the period of fixed exchange rates. Balance is now achieved by a wide variety of movements finely adjusted by fluctuations in the exchange rate, and as will be seen elsewhere, changes in banking and private holdings of exchange, in accounts payable, and in foreign holdings of government bonds were all more important factors in balancing the accounts in 1952 than the rise in official holdings. For this reason changes in official holdings of gold and foreign exchange unless otherwise indicated are now included in Canadian statements of the balance of payments as one of the items in the capital account rather than as the residual of all Canada's international transactions.

Other capital movements

The most spectacular change in the capital account in 1952 occurred in the category of "other capital movements". This category comprises a wide variety of transactions including changes in accounts receivable and payable, short and long-term loans between private unrelated parties, changes in private and chartered bank holdings of foreign exchange, and the net change in Canadian dollar holdings of the International Bank for Reconstruction and Development. Also included is the balancing item covering the amount by which estimates of the current account balance differed from recorded capital movements. This difference represents only a small proportion of gross international transactions. A study of the behaviour of this residual over a number of years suggests that it represents principally changes in receivables and payables not directly recorded.

While precise measurement of all the elements of "other capital movements" is not possible, an estimate of the composition of the category for the years 1950 to 1952 is given in Statement 14. From

this statement it will be apparent that most of the outflow in 1952 has taken the form of decreases in accounts payable abroad, and increases in private and chartered banks' balances and other short-term funds abroad. There is direct evidence of the growth of these foreign assets. In part this increase represents cover held by the banking system against net forward sales of exchange. It would also reflect delay in the transfer of export proceeds or other receipts of foreign exchange as the exchange rate became unfavourable; moreover forward exchange rates and short-term interest rates have combined to make attractive the temporary employment of Canadian funds in the United States. Movements of this character could not have occurred on such a scale during the period of exchange control.

STATEMENT 14. Estimated Composition of "Other Capital Movements" 1950-1952[1] (including balancing item)

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

	All Countries			United States		
	1950	1951	1952	1950	1951	1952
Long term loans, and other capital	- 5	+ 30	+ 17	- 1	+ 8	- 8
Short term loans and advances	+ 23	+ 19	+ 9	+ 18	+ 27	+ 11
Canadian dollar holdings of IBRD	- 5	- 4	- 1	—	—	—
Accounts receivable	- 21	- 6	- 38	+ 3	- 16	- 17
Accounts payable	+ 207	+ 103	- 231	+ 203	+ 70	- 193
Bank balances and other short term funds abroad (excluding official reserves)	- 7	- 14	- 253	+ 8	- 30	- 236
Total (Table I, item D17)	**+ 192**	**+ 128**	**- 497**	**+ 231**	**+ 59**	**- 442**

1. Subject to revision.

Changes in international open account commercial indebtedness may be induced by a wide variety of considerations. While it is customary to think first in this connection of exchange rate expectations as in 1950, there is considerable evidence that this factor is not the dominant one in normal periods. Timing of payments for imports and exports rarely coincides with the physical movement as shown in the current account and, as terms of payment relating to different commodities also vary considerably, a change in either the composition or flow of imports or exports usually affects the balances due or receivable on open commercial accounts.

The effects of the speculative atmosphere surrounding the Canadian dollar in 1950 are apparent. Equally apparent are the effects of the restrictive bank lending policies in force in Canada through most of 1951 resulting in inflows which more than offset any withdrawal of the speculative inflows of 1950. (Short-term movements in response to either exchange rate expectations or to corporate financial needs are particularly likely to occur in the case of inter-company relationships where the credit risk, which is an inherent limiting factor in the case of unrelated parties, does not exist). In 1952 as credit restrictions were progressively relaxed and as the Canadian dollar strengthened there were substantial reversals of the inflows of the two preceding years. Over the three years the net increase of accounts payable is estimated at about $79 million while the growth in the value of monthly imports was about $132 million; the net increase in accounts receivable was about $65 million compared with an increase in monthly export values of $106 million.

STATEMENT 15. Revised Statement of Capital Movements between Canada and the United States 1946-1952

(Millions of dollars)

—	1946	1947	1948	1949	1950	1951	1952[1]
CAPITAL ACCOUNT:							
Direct Investment:							
Direct Investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 306
Direct Investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42
Canadian Securities:							
Trade in Outstanding Issues	+ 241	- 3	+ 5	+ 25	+ 362	+ 20	- 105
New Issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 317
Retirements	- 460	- 313	- 96	- 136	- 263	- 159	- 75
Foreign Securities:							
Trade in Outstanding Issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 7
New Issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5
Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—
Canadian gold and U.S. dollar subscriptions to IMF and IBRD	- 8	- 74	—	—	—	—	—
Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 36
Refunding loan proceeds set aside for retirements	—	—	—	- 18	+ 18	—	—
Other capital movements	+ 8	- 2	+ 1	- 20	+ 231	+ 59	- 442
Net Capital Movement exclusive of change in official holdings of gold and U.S. dollars	**+ 80**	**- 238**	**+ 111**	**+ 64**	**+ 961**	**+ 554**	**- 75**

1. Subject to revision.

For Notes see Table I.

STATEMENT 16. Summary of Current and Capital Transactions between Canada and the Sterling Area, 1946-1952

(Millions of dollars)

—	1946	1947	1948	1949	1950	1951	1952[1]
Current Account:							
Gross current receipts	1,149	1,383	1,260	1,237	824	1,122	1,248
Gross current payments	485	508	645	656	823	923	756
Current account balance	+ 664	+ 875	+ 615	+ 581	+ 1	+ 199	+ 492
Current surplus with United Kingdom	+ 500	+ 633	+ 486	+ 446	+ 24	+ 223	+ 377
Current surplus with other sterling area	+ 164	+ 242	+ 129	+ 135	- 23	- 24	+ 115
Capital Account:							
Post-war loan to United Kingdom	- 540	- 423	- 52	- 120	- 50	+ 14	+ 14
Repayments by U.K. on war loans	+ 89	+ 104	+ 64	+ 5	+ 51	+ 34	+ 23
British Financial Settlement and interim advances (net)	+ 38	—	—	—	—	—	—
Repatriation of Canadian securities	- 125	- 53	- 18	- 26	- 54	- 33	- 11
Change in Canadian dollar holdings	+ 32	- 4	- 20	+ 62	+ 116	- 128	- 23
Other capital movements[2]	+ 15	+ 19	+ 33	- 8	- 50	+ 90	+ 6
Net capital movement	- 491	- 357	+ 7	- 87	+ 13	- 23	+ 9
Balance settled by exchange transfers	- 173	- 518	- 622	- 494	- 14	- 176	- 501
Total financing of current account balance	**- 664**	**- 875**	**- 615**	**- 581**	**- 1**	**- 199**	**- 492**

1. Subject to revision.
2. Including balancing item.

CANADA'S INTERNATIONAL INVESTMENT POSITION

Information on Canada's international investment position is included in this report to assist in evaluating the effects of international capital movements between Canada and other countries in recent years shown in annual statements of the balance of payments. Statements of international investments reflect changes due to retained earnings as well as capital movements. But they include only some of the international assets and liabilities resulting from capital movements. In addition to long-term investments, statements of gross assets and liabilities setting forth the balance of indebtedness reflect other items including short-term assets and liabilities, except those of commercial character. A summary of Canada's indebtedness position is given in Statement 17, with more detail in Table IV.

STATEMENT 17. Summary of Canada's Balance of International Indebtedness, Selected Year Ends (see Table IV)

(Thousands of millions of dollars)

—	1939	1945	1949	1950	1951	1952
Gross liabilities to other countries	7.4	7.6	8.9	9.9	10.5	11.1
Gross external assets	1.9	3.8	5.2	5.9	5.9	6.4
Net Indebtedness	**5.5**	**3.9**	**3.7**	**4.0**	**4.6**	**4.7**

The balance of Canada's international indebtedness to other countries in 1952 was not changed significantly when account is taken of the retained earnings as well as most capital movements shown in the balance of payments. This contrasts with the two previous years when appreciable increases occurred in Canada's balance of indebtedness through both net inflows of capital and retained earnings. There continued to be a significant increase in the value of foreign capital invested in Canada as sustained inflows of long-term capital to Canada were a feature of the year. But Canada's foreign assets also rose substantially with the result that the balance of indebtedness shown rose only slightly. But an improvement in Canada's short-term commercial position is not included in the statements of the balance of indebtedness shown. If account is taken of this also a small improvement in overall position is indicated.

The balance of international indebtedness of $4.7 billion shown for 1952 is still less than $5.5 billion at the beginning of World War II although more than the $3.9 billion in 1945. In appraising these changes consideration should be given to the great development in Canada's productive capacity in recent years and to the increases which have occurred in price levels.

The increase in the value of foreign investments in Canada in 1952 was comparable to the increases of some 9% in each of the two previous years. In the past three years there has been an increase of some $2,300 million or 29% compared with a gain of $868 million or 12% in the four earlier years from 1946 to 1949. In an earlier period of rapid increase, from 1926 to 1930, the rate of increase was some 26% in the four years.

Even though inflows of non-resident capital have been large and sustained for some years the share of non-resident ownership of Canadian investments has been declining. The reason, of course, is that much the largest part of the higher levels of investment activity in Canada in recent years has been financed by Canadians. In 1950 and 1951 when there were net inflows of capital to Canada the net contribution by non-residents and foreign controlled companies to the savings used for all types of investment in Canada was only a minor one. This contribution amounted to around 1/7th for the whole field of investment in those two years but the proportion financed by non-residents of investment in some fields of industry has been considerably greater than this. In particular fields of activity like petroleum exploration and development, iron ore mining, and certain other industries the ratios of investment contributed by non-residents have been much higher. But in these fields of high non-resident participation there are also undertakings financed jointly or solely from Canadian sources.

Again in considering the contributions by non-residents it should be kept in mind that in 1952 Canada was once more a net exporter of capital as had been the case for a long period prior to 1950. The ratio which non-resident investments represent of ownership of Canadian industry has been decreasing in recent years despite the large inflows of long-term capital. Nevertheless the ratio is still high, particularly in some types of industry. This is due primarily to the greater dependence upon foreign capital which existed in earlier periods of investments in the past. There were particularly large net inflows of non-resident capital in periods of rapid Canadian developments like that before World War I and in the period ending in 1930.

STATEMENT 18. Estimated Distribution of Ownership of Funded Debt of Canadian Governments and Corporations, End of 1952

(Millions of dollars)

Items	Amounts Outstanding	Distribution of Ownership			
		Canada	United States	United Kingdom	Other Foreign Countries
Dominions--direct and indirect excluding railways	14,719	13,851	747	68	53
Provincials--direct and indirect excluding railways	2,926	2,104	782	38	2
Municipals	1,436	1,091	307	36	2
Total--Government Bonds	**19,081**	**17,046**	**1,836**	**142**	**57**
Percent Distribution	**100.0**	**89.34**	**9.62**	**0.74**	**0.30**
Steam railways	1,127	478	308	309	32
Other corporations	3,050	2,190	705	129	26
Total Bonds and Debentures	**23,258**	**19,714**	**2,849**	**580**	**115**
Percent Distribution	**100.0**	**84.77**	**12.25**	**2.49**	**0.49**

The declining importance of non-resident capital in one major form, funded debt of Canadian governments and corporations, is clearly evident in the small ratio which non-resident holdings of bonds now represent as shown in Statement 18. Non-resident holdings of Canadian bonds at the end of 1952 were only 15.2% of total funded debt of Canada, almost the same ratio as in 1951. That compares strikingly with the ratio in 1939 when non-resident holdings of about the same value represented over one third of Canadian funded debt. Bonds owned in Canada have risen from about $6.5 billion in 1939 to some $19.7 billion in 1952. In the case of government and municipal bonds the non-resident owned ratio was about 10.7%.

Non-resident ownership now also constitutes a smaller proportion of investment in the broad field of Canadian industry and commerce than in 1939. But in this field the ratio has not declined so sharply as in that of funded debt and it still represents a substantial proportion, namely 31% in 1950 compared with 38% in 1939. Investments owned in the United States in 1950 amounted to 23% of the total investment in this broad field or about the same ratio as in 1939. Corresponding ratios in 1952 cannot yet be calculated satisfactorily but it is not likely that they have changed significantly.

STATEMENT 19. Percentage of Non-Resident Ownership of Canadian Industry, End of 1939 and 1950

Type of Industry	Percentage Made Up of			
	Total Non-Resident Ownership		United States Ownership	
	1939	1950	1939	1950
	%	%	%	%
Manufacturing	42	40[1]	34	33[1]
Mining, smelting, and petroleum exploration and development	40	45	31	39
Steam railways	57	42	18	20
Other utilities	27	16	20	14
Merchandising	9	9	6	7
Total of above industries	**38**	**31**	**22**	**23**

1. Including investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products.

The areas of investments covered by this comparison shown in Statement 19 include corporate investments in manufacturing, mining, petroleum, railways and public utilities and merchandising, and estimates of investments by non-corporate residents in the fields of manufacturing and merchandising. But many groups of Canadian assets have not been taken into the calculation because of the absence of satisfactory comparative data on values of investment. The investment fields excluded tend to be those which are predominantly owned by individual Canadians such as farm property, residential real estate and other forms of real property. If these could be taken into the comparison the Canadian owned proportion would be increased substantially from the 69% indicated in the statement. The proportion of Canadian ownership would be increased further if Canadian investments abroad were taken into the comparison by including them in Canadian owned assets.

Considerable variations occur in the proportion of non-resident ownership in different fields of industry and commerce. The ratio is highest in the field of mining, smelting, and petroleum exploration and development, and lowest in merchandising and in public utilities. It should be noted that large investments in petroleum exploration and development are included in the classification of manufacturing shown because of the activities in this field of refining companies which are classified in the category of manufacturing. This growing field of investment in which non-resident ownership is substantial tends to maintain the ratio shown for non-resident ownership in the manufacturing item of this statement. A separate study of the distribution of ownership of the whole petroleum industry in Canada shows that Canadian ownership in the whole industry at the end of 1951 was 47%, with United States ownership constituting 52%, and all other countries 1%.

STATEMENT 20. Value of United States Investments in Canada 1945, 1949-1952

(Millions of dollars)

—	1945	1949	1950	1951	1952[1]
Direct investment	2,304	3,095	3,442	3,922	4,540
Government and municipal bonds	1,450	1,534	1,746	1,898	1,836
Other portfolio investments	1,106	1,106	1,187	1,288	1,424
Miscellaneous assets	130	170	190	195	200
Total book value	**4,990**	**5,905**	**6,565**	**7,303**	**8,000**

1. Provisional estimate subject to revision.

United States Investments in Canada

Most of the increase in non-resident investments in Canada in recent years has been in investments owned in the United States. These are shown in summary form in Statement 20 and in more detail in Tables VII B and VIII.

The principle increase in United States investments in Canadian business has been in direct investments in branches, subsidiaries and other concerns controlled in the United States. This applies to increases in the last three years as well as in the post-war period as a whole. In the seven years between the end of 1945 and 1952 direct investments have grown by $2,236 million to almost double their value in the earlier year. In 1951 the total increase was $480 million of which $304 million was from net capital inflows. The remaining third of the increase was mainly due to retained earnings, although the figure includes revaluations and accounting adjustments as well. In 1952 the increase in the total value amounts to an estimated $618 million. Of this $446 million is the net capital inflow reported to date including sales of bonds and stocks and some other borrowing as well as direct inflows. The remaining estimated increase of $172 million includes further substantial amounts of retained earnings.

An analysis of the capital inflows is shown in Statement 11. The substantial inflows connected with the development of resources are shown in the inflows of capital into the petroleum and mining industries. While inflows of capital into other industries have also been substantial, large parts of the growth in direct investments have been financed by retained earnings, particularly in the field of manufacturing. An analysis of the value of United States direct investments in all fields of Canadian industry in the post-war years to 1951 is given in Table VIII. In the post-war period as a whole the greatest rise in direct investments has occurred in the manufacturing group of industries which have almost doubled in seven years. Substantial increases in investment appear in most branches of manufacturing although the largest rise, in the non-metallic minerals group, is due to the growth in the petroleum industry. In the six years from 1946 to 1951 the value of direct investments classified

under Manufacturing increased by $1,013 million. Of this rise $274 million was in that part of the petroleum industry which is classified under Manufacturing. Another large part of the rise in the petroleum industry, $160 million, is classified in the item covering Mining and Smelting.

United States investments in the whole petroleum industry in Canada at the end of 1951 had a book value of $636 million or 51.9% of all investments in the industry. This compares with $115 million in 1945. The direct investment portion of this total in 1951 was $556 million. Of this $372 million was in refining companies included in the non-metallic mineral group of manufacturing. Another $164 million was in companies engaged primarily in exploration and development which are classified under Mining and Smelting. The remaining direct investments included in Merchandising and in the Utilities items were $9 million and $11 million respectively.

In 1951 the value of United States direct investments in Canada of $3,922 million was distributed among 2,821 concerns in Canada. The distribution of these by industries is shown in Table IX.

Portfolio holdings of Canadian securities by United States investors increased only moderately in 1952 rising by $74 million as shown in Statement 20. This is about one fourth of the rise in portfolio holdings which occurred in 1951. But there were appreciable changes in the holdings of the various groups of Canadian securities in 1952. Holdings in the United States of provincial, municipal, and corporation bonds were higher chiefly because new issues sold in the United States exceeded retirements and re-purchases of outstanding issues. Holdings of stocks also rose through sales of outstanding issues, new issues and a general rise in book values. But there were declines in holdings of Government of Canada and railway bonds chiefly due to the predominance of liquidations of holdings of outstanding issues, some retirements, and an absence of new floatations of these securities in the United States a factor which had largely contributed to the rises in the other groups of bonds.

Portfolio holdings of Canadian securities by non-residents in 1952 were some 28% higher than in 1945, with substantial rises in each main group of securities except railway bonds. The largest increase in the seven years has been in the book value of portfolio holdings of stock of public companies which have almost doubled in that period. This group of investments, however, is widely dispersed and is not normally large enough in individual companies to establish non-resident control. The rise has been due to increasing book values from continued re-investments of earnings by public companies, as well as to large increases in holdings in recent years. Government of Canada bonds held in the United States in 1952 were only moderately higher than in 1945 and about one quarter less than in 1950 when United States holdings were at a peak.

British and Other Overseas Investments in Canada

The value of British investments in Canada in the post-war period shows a comparative stability in total in contrast to the rise in United States investments. Statistics for a period of years appear in Table VIIC. The total value in 1952 of slightly over $1,800 million compares with $1,750 million in 1945. There has, however, been a substantial rise in some groups of investments, most notably in direct investments by British concerns in branches and subsidiaries in Canada. These have risen in value from $348 million in 1945 to $490 million in 1951 and well over $500 million in 1952. Increases in this group of investments have been mainly in manufacturing and in merchandising establishments; these groups have about doubled in value in the six years to $300 million and $98 million respectively. But part of this increase reflects the inclusion of investments in Newfoundland not in the 1945 totals. There were 641 business firms in Canada controlled in the United Kingdom in 1951, of which 200 were engaged in manufacturing and 236 in merchandising.

British holdings of government and municipal bonds of $140 million in 1951 were about the same in total as in 1945 but now include holdings of Newfoundland securities. There has been an appreciable liquidation of holdings of provincial and municipal bonds and railway securities in this period. The latter factor is responsible for other portfolio investments of $1,069 million in 1951 being less than the corresponding holdings of $1,160 million in 1945. Portfolio investments in other fields of Canadian business have been maintained in value.

Investments of other overseas countries shown in Table VIID remained comparatively static in the post-war period until 1951 when they rose sharply from $358 million in 1950 to $416 million. A further rise at a somewhat lower rate occurred in 1952. The increases have been both in direct investments and in portfolio investments. In 1951 direct investments were $106 million compared with $61 million in 1945. Holdings of government and municipal bonds were only slightly higher, but other portfolio investments had risen from $167 million in 1945 to $183 million in 1951, the increase occurring mainly through stocks acquired in the latter year.

Canadian Direct Investments Abroad

In considering the rate of increase of United States direct investments in Canada attention should also be given to the sharp increase in the value of Canadian direct investments abroad, particularly in the United States. Canadian direct investments abroad had increased from $720 million at the end of 1945 to $1,160 million at the end of 1951, or a rise of 37%, as shown in Table V. A further substantial increase occurred in 1952. The increase in direct investments in the United States in this six

year period was even more than this and the rate of increase of 96% much greater. This is because a small decline occurred in investments in overseas countries due particularly to the liquidation of investments in Latin America by a petroleum company located in Canada. This rapid growth in Canadian direct investments in the United States has been proportionately greater than the increase of 70 per cent in United States direct investments in Canada in the same period. Consequently Canadian direct investments in the United States amount to almost one quarter of United States direct investments in Canada in terms of value compared with about one fifth at the end of 1945.

The increase in the value of direct investments in the United States was from $455 million in 1945 to $906 million at the end of 1951, most of this being in industrial and commercial concerns and in mining and petroleum. Canadian direct investments in industrial and commercial concerns in the United States have risen from $214 million in 1945 to $533 million with substantial increases in the distilling industries and agricultural implements industry, and with many new undertakings in various industrial fields. At the end of the same period investments in mining and petroleum in the United States were some three times their size at the beginning of the period.

Investments in the countries of the British Commonwealth increased at a proportionately high rate but the amount of Canadian capital invested in business undertakings in these countries continued to be a particularly small part of total direct investments. Investments in the United Kingdom rose by almost a half. But the total invested in that country which was mainly in the industrial and commercial field was still only $74 million at the end of 1951. In other Commonwealth countries total direct investments amounted to $88 million which compares with $46 million in 1945 excluding investments in Newfoundland at that time. Most of the rise was in the industrial and commercial establishments which doubled to $60 million in 1951.

Investments in all other countries amounted to $92 million at the end of 1951. These were less concentrated in the industrial and commercial field than is the case elsewhere, with mining, petroleum and utilities accounting for appreciable amounts. The total was less than in 1945 because of the liquidation of investments in the petroleum industry in Latin America with the sale by Imperial Oil Limited of its interests in International Petroleum Limited. Other investments were moderately higher in 1951 than in 1945, there being an increase of some $27 million.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments Revised Estimates for 1951 and Preliminary Estimates for 1952

(Millions of dollars)

No.	—	All Countries		United States		United Kingdom		Other Sterling Area		Other O.E.E.C. Countries		All Other Countries	
		1951	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952
	A Current Receipts:												
1	Merchandise exports (adjusted)	3,950	4,336	2,326	2,345	636	727	265	293	366	472	357	499
2	Mutual Aid to NATO Countries	145	197	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	150	150	150	150	—	—	—	—	—	—	—	—
4	Travel expenditures	274	276	258	258	8	10	3	3	4	4	1	1
5	Interest and dividends	115	146	57	87	30	29	4	7	14	13	10	10
6	Freight and shipping	351	360	164	163	91	95	23	20	40	43	33	39
7	Inheritances and immigrants' funds	77	81	32	38	14	18	3	3	22	20	6	2
11	All other current receipts	249	313	191	250	42	38	3	5	5	9	8	11
12	**Total Current Receipts**	**5,311**	**5,859**	**3,178**	**3,291**	**821**	**917**	**301**	**331**	**451**	**561**	**415**	**562**
	B Current Payments:												
1	Merchandise imports (adjusted)	4,097	3,846	2,842	2,813	417	350	310	185	173	149	355	349
4	Travel expenditures	280	336	246	294	20	25	5	5	8	10	1	2
5	Interest and dividends	450	413	382	344	57	56	—	—	9	11	2	2
6	Freight and shipping	354	358	276	288	43	40	5	4	21	19	9	7
7	Inheritances and emigrants' funds	70	94	55	77	10	12	1	1	3	3	1	1
10	Mutual Aid to NATO Countries	145	197	—	—	—	—	—	—	—	—	—	—
11	All other current payments	432	464	328	328	51	57	4	21	14	34	35	24
12	**Total Current Payments**	**5,828**	**5,708**	**4,129**	**4,144**	**598**	**540**	**325**	**216**	**228**	**226**	**403**	**385**
	Balance on Merchandise Trade	-147	+490	-516	- 468	+219	+377	- 45	+108	+193	+323	+ 2	+150
	Balance on Other Transactions	-370	- 339	-435	- 385	+ 4	—	+ 21	+ 7	+ 30	+ 12	+10	+ 27
	C Current Account Balance	-517	+151	-951	- 853	+223	+377	- 24	+115	+223	+335	+12	+177
	D Capital Account:												
	Direct Investment												
1	Direct investment in Canada	+309	+332	+270	+ 306	+ 30	+ 15	—	- 1	+ 9	+ 12	—	—
2	Direct investment abroad	- 20	- 64	- 4	- 42	- 2	- 2	- 4	- 4	- 5	- 2	- 5	- 14
	Canadian Securities												
3	Trade in outstanding issues	+ 38	- 95	+ 20	- 105	- 16	- 3	—	—	+ 34	+ 8	—	+ 5
4	New issues	+411	+319	+404	+ 317	+ 7	+ 1	—	—	—	+ 1	—	—
5	Retirements	-184	- 89	-159	75	- 24	- 9	—	—	- 1	- 5	—	—
	Foreign Securities												
6	Trade in outstanding issues	+ 15	+ 10	+ 18	+ 7	—	+ 3	—	—	—	—	- 3	—
7	New issues	- 3	- 20	- 3	- 5	—	—	—	—	—	—	—	- 15
8	Retirements	+ 3	—	+ 2	—	+ 1	—	—	—	—	—	—	—
	Loans by Government of Canada												
10	Repayment of post-war loans	+ 34	+ 33	—	—	+ 14	+ 14	—	—	+ 13	+ 16	+ 7	+ 3
11	Repayment of war loans	+ 34	+ 23	—	—	+ 34	+ 23	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	-192	- 66	- 53	- 36	- 138	- 14	+ 10	- 9	- 11	- 5	—	- 2
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	- 56	- 37	- 39	- 80	- 17	+ 43	—	—	—	—	—	—
17	Other capital movements	+128	- 497	+ 59	- 442	+ 82	- 48	—	—	- 2	+ 5	- 11	- 12
	E Net Capital Movement	+517	- 151	+515	- 155	- 29	+ 23	+ 6	- 14	+37	+ 30	- 12	- 35
	G Balance Settled by Exchange Transfers	—	—	+436	+1,088	- 194	- 400	+ 18	- 101	- 260	- 365	—	- 142
	Total Financing of Current Account Balance (item C)	+517	- 151	+951	+ 853	- 223	- 377	+ 24	- 115	- 223	- 335	- 12	- 177

Notes:

A2, B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries. This represents contributions to North Atlantic Treaty Countries of equipment and supplies and the provision of air training by the Canadian Government.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States. All other countries include the IMF and IBRD.

D1, 2 Exclusive of undistributed profits.

D14 Excludes holdings of International Monetary Fund and International Bank for Reconstruction and Development (D17).

D16 Excludes changes in accounts established by special arrangement with the United Kingdom under which sterling was acquired for cod-fish sold in European markets and was available for the repurchase of certain funded obligations (entries included under D5, D17, and G)

D17 Includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Quarterly Estimates of the Current Account of the Balance of International Payments between Canada and All Countries 1950-1952[1]

(Millions of dollars)

—	1950				1951				1952[2]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
A Current Receipts:												
Merchandise exports (adjusted)	663	788	796	892	815	952	1,044	1,139	1,009	1,123	1,049	1,155
Gold production available for export	41	42	39	41	37	43	35	35	41	35	37	37
Travel expenditures	23	51	152	49	23	51	157	43	24	53	156	43
Interest and dividends	13	25	16	37	16	25	19	55	17	31	22	76
Freight and shipping	63	74	69	78	68	81	96	106	81	93	89	97
Inheritances and immigrants' funds	11	14	18	14	14	19	22	22	17	25	22	17
All other current receipts	49	65	52	65	65	57	65	62	66	76	75	96
Total Current Receipts	**863**	**1,059**	**1,142**	**1,176**	**1,038**	**1,228**	**1,438**	**1,462**	**1,255**	**1,436**	**1,450**	**1,521**
B Current Payments:												
Merchandise imports (adjusted)	630	795	796	908	946	1,193	1,082	876	889	984	936	1,037
Travel expenditures	36	58	79	53	54	74	96	56	62	96	108	70
Interest and dividends	94	120	77	184	100	96	91	163	82	88	95	148
Freight and shipping	48	80	91	82	59	93	102	100	61	94	101	102
Inheritances and emigrants' funds	13	15	15	18	15	17	19	19	21	24	24	25
All other current payments	87	96	94	105	100	107	113	112	111	110	117	126
Total Current Payments	**908**	**1,164**	**1,152**	**1,350**	**1,274**	**1,580**	**1,503**	**1,326**	**1,226**	**1,396**	**1,381**	**1,508**
Balance on Merchandise Trade	+ 33	- 7	—	- 16	- 131	- 241	- 38	+263	+120	+139	+113	+118
Balance on Other Transactions	- 78	- 98	- 10	- 158	- 105	- 111	- 27	- 127	- 91	- 99	- 44	- 105
C Current Account Balance	- 45	- 105	- 10	- 174	- 236	- 352	- 65	+136	+ 29	+ 40	+ 69	+ 13

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Subject to revision.

TABLE III. Current Account between Canada and All Countries, 1926-1952

(Millions of dollars)

Year	Current Receipts[1]	Current Payments[2]	Net Balance Including Mutual Aid Exports	Wartime Grants and Mutual Aid	Net Balance on Current Account Indicating Net Movement of Capital
1926	1,665	1,538	+ 127	—	+127
1927	1,633	1,643	- 10	—	- 10
1928	1,788	1,820	- 32	—	- 32
1929	1,646	1,957	- 311	—	- 311
1930	1,297	1,634	- 337	—	- 337
1931	972	1,146	- 174	—	- 174
1932	808	904	- 96	—	- 96
1933	829	831	- 2	—	- 2
1934	1,020	952	+ 68	—	+ 68
1935	1,145	1,020	+ 125	—	+125
1936	1,430	1,186	+ 244	—	+244
1937	1,593	1,413	+ 180	—	+180
1938	1,361	1,261	+ 100	—	+100
1939	1,457	1,331	+ 126	—	+126
1940	1,776	1,627	+ 149	—	+149
1941	2,458	1,967	+ 491	—	+491
1942	3,376	2,275	+1,101	- 1,002	+ 99
1943	4,064	2,858	+1,206	- 518	+688
1944	4,557	3,539	+1,018	- 960	+ 58
1945	4,456	2,910	+1,546	- 858	+688
1946	3,365	2,905	+ 460	- 97	+363
1947	3,748	3,699	+ 49	—	+ 49
1948	4,147	3,696	+ 451	—	+451
1949	4,089	3,912	+ 177	—	+177
1950	4,297	4,574	- 277	- 57	- 334
1951	5,311	5,683	- 372	- 145	- 517
1952	5,859	5,511	+ 348	- 197	+151

1. Including Mutual Aid exports.
2. Excluding Mutual Aid offsets.

TABLE IV. Estimate of the Canadian Balance of International Indebtedness 1939, 1945-1952

(exclusive of short-term commercial indebtedness and blocked currencies)

(thousands of millions of dollars)

–	1939	1945	1946	1947	1948	1949	1950	1951	1952
A Canadian Liabilities (Foreign Capital Invested in Canada):									
United States investment in Canada (Table VIIB)	4.2	5.0	5.2	5.2	5.6	5.9	6.6	7.3	8.0
United Kingdom investment in Canada (Table VIIC)	2.5	1.7	1.6	1.6	1.6	1.7	1.7	1.8	1.8
Other countries' investment in Canada (Table VIID)	0.3	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4
Total – Non-resident long-term investment in Canada	6.9	7.1	7.2	7.2	7.5	8.0	8.7	9.5	10.2
Equity of non-residents in Canadian assets abroad	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Canadian dollar holdings of non-residents	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3
Canadian short-term assets of IMF and IBRD	–	–	–	0.3	0.3	0.3	0.3	0.3	0.3
Gross Liabilities	7.4	7.6	7.8	8.1	8.4	8.9	9.9	10.5	11.1
B Canadian Assets (Canadian Capital Invested Abroad):									
Direct investments abroad (Table V)	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3
Portfolio holdings of foreign securities (Table V)	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Government of Canada credits (Table V)	–	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9
Government of Canada subscriptions to IMF and IBRD	–	–	–	0.4	0.4	0.4	0.4	0.4	0.4
Total – Canadian long-term investment abroad	1.4	2.0	2.7	3.6	3.6	3.9	4.0	4.1	4.2
Government of Canada official holdings of gold and foreign exchange	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8
Other Canadian short-term assets abroad	–	0.1	–	–	–	0.1	0.1	0.1	0.3
Gross Assets	1.9	3.8	4.0	4.1	4.7	5.2	5.9	5.9	6.4
Canadian Net Indebtedness	5.5	3.9	3.8	4.0	3.7	3.7	4.0	4.6	4.7

Note: Because of rounding totals may not represent sums of components.

TABLE V. Canadian Long-Term Investments Abroad at End of 1945 and 1951

(Millions of dollars)

Type of Asset	In All Countries		In the United States		In the United Kingdom		In Other Commonwealth Countries		In Other Countries	
	1945	1951	1945	1951	1945	1951	1945	1951	1945	1951
Direct investments	720	1,160	455	906	54	74	69	88	142	92
Portfolio holdings of securities	621	603	409	370	53	34	19	14	140	185
Total private long-term investments	1,341	1,763	864	1,276	107	108	88	102	282	277
Government of Canada credits	707	1,922	–	–	561	1,394	–	–	146	528
Total Long-Term Investments	2,048	3,685	864	1,276	668	1,502	88	102	428	805

TABLE VI. Foreign Capital Invested in Canada, End of 1951
Classification by Types of Security and Nature of National Ownership
(Millions of dollars)

	Total Non-Resident Investment	Country of Ownership		
		United States[1]	United Kingdom[1]	Other Foreign Countries
By Type of Assets				
Bonds and Debentures:				
Government of Canada	1,013	887	70	56
Provincial governments	771	732	38	1
Municipalities	319	279	38	2
Steel railways	675	334	309	32
Other corporations	690	560	105	25
Sub-total	**3,468**	**2,792**	**560**	**116**
Capital Stock of Canadian Companies	4,736	3,497	1,036	203
Other corporation assets	957	819	109	29
Miscellaneous investments	328	195	65	68
Total Non-Resident Investments	**9,489**	**7,303**	**1,770**	**416**
By Nature of National Ownership				
A. Direct Investments (Controlled in country of ownership)				
Bonds and Debentures:				
Steam railways	36	29	7	–
Other corporations	357	333	13	11
Sub-total	**393**	**362**	**20**	**11**
Capital Stock of Canadian Companies	3,185	2,755	362	68
Other corporation assets[2]	940	805	108	27
Total Direct Investments	**4,518**	**3,922**	**490**	**106**
B. Portfolio Investments (Not controlled in country of ownership)				
Bonds and Debentures:				
Government of Canada	1,013	887	70	56
Provincial governments	771	732	38	1
Municipalities	319	279	38	2
Steam railways—controlled in Canada	637	305	300	32
controlled in other countries	2	–	2	–
Other corporations—controlled in Canada	242	215	13	14
controlled in other countries	91	12	79	–
Sub-total	**3,075**	**2,430**	**540**	**105**
Capital Stock of Canadian Companies:				
Companies controlled in Canada	1,434	724	601	109
Companies controlled in other countries	117	18	73	26
Other corporation assets[2]				
Companies controlled in Canada	11	10	1	–
Companies controlled in other countries	6	4	–	2
Total Portfolio Investments	**4,643**	**3,186**	**1,215**	**242**
C. Miscellaneous investments				
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	328	195	65	68
A. Total Direct Investments	**4,518**	**3,922**	**490**	**106**
B. Total Portfolio Investments	**4,643**	**3,186**	**1,215**	**242**
C. Total Miscellaneous Investments	**328**	**195**	**65**	**68**
Total Non-Resident Investments	**9,489**	**7,303**	**1,770**	**416**

1. Includes some investments held by nominees for residents of other countries.
2. Includes net assets of unincorporated branches and other long-term investments.

TABLE VII. Foreign Capital Invested in Canada at Selected Year Ends 1926-1951

Classification by Types of Investment

A. Total Non-Resident Long-Term Investment in Canada Owned by all Non-Residents

(Millions of dollars)

Types of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951
GOVERNMENT SECURITIES:										
Dominion	638	682	823	726	750	713	823	975	1,141	1,013
Provincial	422	592	536	624	594	551	528	534	565	771
Municipal	374	432	344	312	267	264	248	246	256	319
Total	**1,434**	**1,706**	**1,703**	**1,662**	**1,611**	**1,528**	**1,599**	**1,755**	**1,962**	**2,103**
PUBLIC UTILITIES:										
Railways	1,938	2,244	1,871	1,599	1,583	1,586	1,504	1,445	1,456	1,467
Other	395	634	549	494	557	473	468	494	543	588
Total	**2,333**	**2,878**	**2,420**	**2,093**	**2,140**	**2,059**	**1,972**	**1,939**	**1,999**	**2,055**
Manufacturing	1,198	1,573	1,445	1,829	1,895	2,029	2,317	2,539	2,763	3,136
Mining and smelting	219	334	329	403	386	396	424	494	628	787
Merchandising	150	203	189	226	238	262	277	300	331	388
Financial institutions	344	543	473	525	557	553	541	548	566	572
Other enterprises	65	82	69	70	69	71	78	83	98	120
Miscellaneous assets	260	295	285	284	282	290	298	302	320	328
Total Investment	**6,003**	**7,614**	**6,913**	**7,092**	**7,178**	**7,188**	**7,506**	**7,960**	**8,667**	**9,489**

B. Long-Term Investments in Canada Owned by Residents of the United States

(Millions of dollars)

Types of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951
GOVERNMENT SECURITIES:										
Dominion	382	440	567	682	701	665	775	844	1,009	887
Provincial	342	517	473	574	554	515	494	492	525	732
Municipal	185	248	181	194	183	207	198	198	212	279
Total	**909**	**1,205**	**1,221**	**1,450**	**1,438**	**1,387**	**1,467**	**1,534**	**1,746**	**1,898**
PUBLIC UTILITIES:										
Railways	510	832	588	720	717	724	718	664	685	687
Other	290	522	432	375	441	372	372	399	448	503
Total	**800**	**1,354**	**1,020**	**1,095**	**1,158**	**1,096**	**1,090**	**1,063**	**1,133**	**1,190**
Manufacturing	953	1,287	1,160	1,482	1,554	1,676	1,936	2,099	2,269	2,594
Mining and smelting	165	255	251	322	311	324	347	416	546	695
Merchandising	99	138	129	164	173	185	194	211	231	270
Financial institutions	125	251	201	285	321	312	297	338	362	355
Other enterprises	60	76	64	62	62	65	72	74	88	106
Miscellaneous assets	85	94	105	130	140	155	163	170	190	195
Total Investment	**3,196**	**4,660**	**4,151**	**4,990**	**5,157**	**5,200**	**5,566**	**5,905**	**6,565**	**7,303**

TABLE VII. Foreign Capital Invested in Canada at Selected Year Ends 1926-1951 — Concluded

Classification by Types of Investment

C. Long-Term Investments in Canada Owned by Residents of the United Kingdom

(Millions of dollars)

Types of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951
GOVERNMENT SECURITIES:										
Dominion	250	235	238	—	—	—	—	84	82	70
Provincial	73	69	58	45	37	35	33	41	39	38
Municipal	187	182	157	112	78	55	48	46	42	38
Total	**510**	**486**	**453**	**157**	**115**	**90**	**81**	**171**	**163**	**146**
PUBLIC UTILITIES:										
Railways	1,371	1,352	1,216	806	795	792	724	716	707	704
Other	97	100	89	90	85	72	69	66	65	56
Total	**1,468**	**1,452**	**1,305**	**896**	**880**	**864**	**793**	**782**	**772**	**760**
Manufacturing	234	274	257	301	295	307	340	396	444	484
Mining and smelting	51	74	61	62	56	52	56	54	55	60
Merchandising	49	61	55	57	60	71	76	83	90	103
Financial institutions	176	243	221	186	182	186	188	155	147	142
Other enterprises	4	5	4	6	5	5	5	7	8	10
Miscellaneous assets	145	171	120	85	75	70	69	67	65	65
Total Investment	**2,637**	**2,766**	**2,476**	**1,750**	**1,668**	**1,645**	**1,608**	**1,715**	**1,744**	**1,770**

D. Long-Term Investments in Canada Owned by Residents of all Other Countries

(Millions of dollars)

Types of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951
GOVERNMENT SECURITIES:										
Dominion	6	7	18	44	49	48	48	47	50	56
Provincial	7	6	5	5	3	1	1	1	1	1
Municipal	2	2	6	6	6	2	2	2	2	2
Total	**15**	**15**	**29**	**55**	**58**	**51**	**51**	**50**	**53**	**59**
PUBLIC UTILITIES:										
Railways	57	60	67	73	71	70	62	65	64	76
Other	8	12	28	29	31	29	27	29	30	29
Total	**65**	**72**	**95**	**102**	**102**	**99**	**89**	**94**	**94**	**105**
Manufacturing	11	12	28	46	46	46	41	44	50	58
Mining and smelting	3	5	17	19	19	20	21	24	27	32
Merchandising	2	4	5	5	5	6	7	6	10	15
Financial institutions	43	49	51	54	54	55	56	55	57	75
Other enterprises	1	1	1	2	2	1	1	2	2	4
Miscellaneous assets	30	30	60	69	67	65	66	65	65	68
Total Investment	**170**	**188**	**286**	**352**	**353**	**343**	**332**	**340**	**358**	**416**

Common and preference stocks are shown at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada. Investments in exploration and development of petroleum by companies engaged in refining and production of petroleum products are therefore included in the Manufacturing (non-metallic minerals) group.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

TABLE VIII. United States Direct Investments[1] in All Canadian Businesses at Selected Year Ends 1926-1951

Classification by Types of Business

(Millions of dollars)

Type of Business	Value of United States Direct Investment (Included in Totals in Table VII B.)									
	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951
Manufacturing:										
Vegetable products	69	94	96	140	146	155	179	182	193	214
Animal products	18	38	47	44	42	46	49	55	58	60
Textiles	18	20	20	28	29	32	35	38	42	46
Wood and paper products	256	334	281	316	350	383	427	441	446	461
Iron and products	180	199	188	272	283	312	346	378	420	452
Non-ferrous metals	83	113	130	203	208	225	250	270	315	362
Non-metallic minerals[2]	109	126	112	133	138	152	229	279	312	428
Chemicals and allied products	60	86	88	118	134	147	167	185	194	219
Miscellaneous manufactures	25	31	22	31	36	41	47	52	53	56
Total	**818**	**1,041**	**984**	**1,285**	**1,366**	**1,493**	**1,729**	**1,880**	**2,033**	**2,298**
Mining and smelting[2]	141	210	198	255	245	254	275	331	450	575
Utilities	249	423	399	359	366	345	347	375	389	438
Merchandising	89	122	119	153	165	175	183	199	219	259
Financial institutions	58	136	126	198	232	222	208	241	267	253
Other enterprises	48	61	55	54	54	59	65	69	84	99
Total, All Companies	**1,403**	**1,993**	**1,881**	**2,304**	**2,428**	**2,548**	**2,807**	**3,095**	**3,442**	**3,922**

1. Direct investments include branches, subsidiaries and controlled companies.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in the Non-metallic Minerals item of Manufacturing.

TABLE IX. Number of Canadian Concerns Controlled in the United States End of 1951

Type of Business	Number of Subsidiaries or Controlled Companies	Number of Unincorporated Branches	Total Number
Manufacturing	1,200	89	1,289
Vegetable products	104	7	111
Animal products	51	2	53
Textiles	68	1	69
Wood and paper products	141	11	152
Iron and its products	263	19	282
Non-ferrous metals	163	8	171
Non-metallic minerals	73	2	75
Chemicals and allied products	258	36	294
Miscellaneous manufactures	79	3	82
Mining	152	74	226
Utility	100	19	119
Railways	9	2	11
Other Utility	91	17	108
Merchandising	544	72	616
Financial	104	191	295
Insurance	13	182	195
Investment trust	15	—	15
Other financial	76	9	85
Miscellaneous	229	47	276
Total, All Concerns	**2,329**[1]	**492**	**2,821**

1. Includes 381 wholly-owned subsidiaries.



CANADA

Government Publications



THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1953 AND INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS

International Trade Division

Balance of Payments Section

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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1953
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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments 1953:

Summary 5
Quarterly Developments 6
Bilateral Changes 8
Changes in the Current Account 9
Defence Expenditures and the Balance of Payments 16
Capital Movements 17

Canada's International Investment Position 23

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries 1950-1953 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas 1951-1953 7
3. Foreign Exchange Rates: U.S. dollar in Canada 1952 and 1953 7
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas 1946-1953 9
5. Prices, Physical Volume, and Terms of Trade of Domestic Exports and Imports, 1950-1953 11
6. Adjustments to Commodity Trade 1952 and 1953 11
7. Summary of Changes in Principal Elements of Canada's Current Account with All Countries 1953 12
8. International Travel Expenditures between Canada and Other Countries 1948-1953 13
9. Receipts and Payments of Interest and Dividends between Canada and All Countries 1950-1953 14
10. Freight and Shipping Transactions between Canada and Other Countries 1950-1953 14
11. Miscellaneous Current Transactions with All Countries Revised 1952 and Preliminary 1953 16
12. United States Direct Investment in Canada 1946-1953 18
13. Transactions in Canadian Securities between Canada and Other Countries 1953 20
14. Summary of Canada's Balance of International Indebtedness, Selected Year Ends 1926-1953 23
15. Changes in Ownership of the Funded Debt of Canadian Governments and Corporations, 1936-1953 24
16. Estimated Distribution of Funded Debt of Canadian Governments and Corporations, End of 1953 25
17. Change in United States Holdings of Canadian Bonds and Debentures 1952 25
18. Non-Resident Ownership of Selected Canadian Industries, End of 1939, 1948, and 1951 26
19. Value of United States Investments in Canada 1945, 1949-1953 26
20. Book Value of Foreign Investment in the Petroleum Industry in Canada, End of 1945 and 1952 26

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, Revised Estimates for 1952 and Preliminary Estimates for 1953 27
II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953 28
III. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1953 33
IV. Canada's Official Holdings of Gold and United States Dollars, 1950-1953 33
V. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952, Classification by Types of Security and Nature of National Ownership 34
VI. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952 Classification by Types of Investment 38
VII. United States Direct Investments in all Canadian Business, Selected Year Ends 1926-1952, Classification by Types of Business 40
VIII. United Kingdom Direct Investments in all Canadian Businesses, Selected Year Ends 1939-1952, Classification by Types of Business 40
IX. Number of Canadian Concerns Controlled Abroad, End of 1952 41
X. Canadian Long-Term Investments Abroad, Selected Year Ends, 1939-1952 41

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1953

Summary

Canada's international transactions on current account resulted in a deficit of $439 million in 1953, indicating a net import of capital. This is in sharp contrast to the current surplus of $164 million in 1952. In 1950 and 1951, however, current deficits of $334 million and $517 million respectively had appeared.

The abrupt swing from surplus to deficit in 1953 was mainly due to commodity transactions. For 1953 as a whole, the trade balance shown in the balance of payments deteriorated by $546 million to a deficit of $57 million. The major factor in this change was the continued sharp rise in import volume. The volume of imports rose by 9 per cent in 1953, and was about 50 per cent over the levels of 1948 and 1949. A slight decrease in the volume of exports and some deterioration in the terms of trade also contributed to the change to a trade deficit in 1953.

Non-merchandise transactions also contributed to the change to a current account deficit. The usual large deficit on these items increased by $57 million to $382 million. This is about the same change as arose from the re-appearance of a deficit on freight account. Military payments of a service nature and official contributions were also larger, and gold production available for export decreased. These latter changes were offset, however, by smaller net payments on income account and larger net receipts from migrants. The deficit on travel account was virtually unchanged.

In 1952 and 1953 actual defence imports exceeded payments for them. The latter are substituted for the former in the balance of payments. The effect of this treatment was to raise the surplus in 1952 and lower the deficit in 1953. In addition to expenditures for defence equipment and military services, Canada contributed $246 million in Mutual Aid to NATO countries. This raised the total of such aid since 1950 to $648 million in the form of shipments of equipment and supplies and the provision of air training to European aircrews. The current balance is not affected directly by this aid.

The sharp change from surplus to deficit in 1953 can best be regarded in the perspective of developments over several years. Superimposed on an economy with strong and growing investment and consumption demands, there has been the increased tempo of defence activities since 1950. These combined influences have been basic factors in the deficits of the past few years. In 1952, the period of deficits was temporarily ended because of two major developments, namely, the very marked improvement in the terms of trade and a large increase in the volume of grain exports. Since further improvements along these lines were not forthcoming in 1953, the underlying strong increase in import volume led to the re-appearance of a current deficit. While there was a marked deterioration in the surplus with overseas countries and an increase in the deficit with the United States in 1953, these developments had the effect of yielding current balances

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1950-1953

(Millions of dollars)

Account	1950	1951	1952	1953	Change in 1953
Commodity exports (adjusted)[1]	3,139	3,950	4,339	4,152	- 187
Commodity imports (adjusted)	3,129	4,097	3,850	4,209	+ 359
Balance on commodity trade	+ 10	- 147	+ 489	- 57	- 546
Balance on all other current transactions	- 344	- 370	- 325	- 382	- 57
Current account balance	**- 334**	**- 517**	**+ 164**	**- 439**	**- 603**
Direct investment in Canada	+ 222	+ 309	+ 346	+ 398	+ 52
Net new issues of Canadian securities	- 74	+ 227	+ 227	+ 200	- 27
Net trade in outstanding Canadian securities	+ 329	+ 38	- 94	- 31	+ 63
All other capital movements[2]	- 143	- 57	- 643	- 128	+ 515
Net capital movement	**+ 334**	**+ 517**	**- 164**	**+ 439**	**+ 603**

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Including amounts of - 694, - 39, - 80, and + 42 in 1950 to 1953 respectively covering the Canadian dollar equivalent of increases (-) or decreases (+) in official holdings of gold and U.S. dollars.

with the United States and overseas countries generally which were remarkably close to those of 1951.

The re-appearance of a current account deficit of $439 million in 1953 was accompanied, of course, by net capital imports of this amount. The deficit was more than balanced by heavy flows of long-term capital into Canada for direct and portfolio investment, which have been a feature of Canada's balance of payments in recent years. In 1952, the current account surplus and long-term inflows were balanced by very large outward movements of short-term capital. Short-term movements in 1953, while still outwards, were sharply lower than in 1952. These changes took place without any great change in the external value of the Canadian dollar.

Quarterly Developments

In contrast to the current account surplus of $1,040 million from 1946 to 1949 inclusive, the four years from 1950 to 1953 show a cumulative deficit of $1,126 million. Analysis of quarterly data show several sub-periods in this period of current deficits.

There is usually a pronounced tendency for the trade balance to be less favourable in the first half of the year than in the last half, and particularly the last quarter, if the seasonal factor only is taken into account. The non-merchandise items are smaller, but their balance fluctuates greatly. The most important seasonal fluctuations in non-merchandise items are pronounced peaks in travel receipts in the third quarter and in dividend payments in the fourth quarter. Other types of movements can, of course, obscure seasonal movements.

It should be borne in mind that before and throughout the recent period of deficits in Canada's current account there have been strong and persistent inflows of long-term capital for direct investment in Canada. There have also been important but irregular movements of foreign capital into Canadian security issues influenced among other things by Canadian demands for financing, by security and money market conditions in Canada and abroad, and by exchange rates. The very heavy investment program undertaken in Canada, in which this financing together with much greater amounts of Canadian savings played a part, was of course a factor contributing to the heavy demands in the Canadian economy which in turn led to the current account deficits.

Canada's international transactions since Korea can be examined in three phases. In the fourth quarter of 1950 and the first half of 1951 large current deficits appeared. This situation began to change in the third quarter of 1951 and a current account surplus was recorded in the last quarter of the year. Smaller surpluses appeared throughout 1952. These surpluses gave way to deficits once more in 1953, mainly concentrated in the first half of the year.

The outbreak of the Korean conflict led to very heavy advance buying of inventories and consumer goods in anticipation of higher prices and shortages. The surge in import values and very heavy dividend payments resulted in an unusual fourth quarter deficit in 1950. Substantial deficits appeared in the first half of 1951. Forward buying continued on a large scale, the volume of imports rose rapidly, and the sharp price increases resulted in some deterioration of the terms of trade. This period began with a very heavy inflow of capital of a speculative nature, a movement which was accentuated by the Korean outbreak. A part of the exceptionally large increase in official holdings of gold and foreign exchange which occurred in the third quarter of 1950 was used to finance the mounting current account deficits in the succeeding six months. The restrictive credit policy introduced in Canada contributed to the placement of a substantial volume of new issues of Canadian securities abroad in the second quarter of 1951 which, together with the direct investments and heavy short-term capital movements into Canada, were more than sufficient to finance the record current account deficit which was incurred.

After mid 1951, the situation changed. Inflationary pressures lessened, the rapid increase in import volume was reversed while exports continued to rise, and the terms of trade improved. The current deficit decreased in the third quarter and changed to a surplus in the fourth. A balanced expansion of gross national expenditure occurred in 1952. The small current account surpluses throughout the year were due in large part to two special factors; one was the very large improvement in the terms of trade, the other a large increase in exports of grains. These factors offset the effects of the very marked rise in import volume after the first quarter of the year. The emergence of a current account surplus coupled with increasing movements of capital into Canada for long-term investment contributed to a spectacular rise in the exchange value of the Canadian dollar during this period. This, together with easing credit conditions in Canada, was a factor in the massive outflows of capital which took the form of private repatriation of foreign-held Canadian government bonds, refluxes of the short-term inflows which had occurred earlier, and a growth of Canadian working capital abroad.

Gross national expenditure continued to rise throughout most of 1953. Current deficits of $184 million and $191 million appeared in the first two quarters of the year. The most important factor in the development of these deficits was the continued rapid rise in the volume of imports. Import volume in the first and second quarters of 1953 was 17 per cent and 20 per cent respectively over the levels of one year earlier. Export volume, moreover, fell below the levels of one year earlier in the first quarter and only slightly exceeded the levels of a year earlier in the second. The terms of trade had begun to deteriorate slowly after the third quarter of 1952. The deficit on non-merchandise

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1951-1953

(Millions of dollars)

Country or Area	1951				1952				1953			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
United States	- 245	- 359	- 182	- 165	- 202	- 264	- 141	- 242	- 248	- 342	- 135	- 199
United Kingdom	+ 8	+ 4	+ 79	+ 132	+ 86	+ 157	+ 70	+ 75	+ 2	+ 32	+ 48	+ 60
Other sterling area	- 4	- 21	- 32	+ 33	+ 39	+ 34	+ 20	+ 21	+ 31	+ 23	+ 21	+ 12
All other countries [1]	+ 5	+ 24	+ 70	+ 136	+ 105	+ 117	+ 126	+ 163	+ 31	+ 96	+ 53	+ 76
All Countries	**- 236**	**- 352**	**- 65**	**+ 136**	**+ 28**	**+ 44**	**+ 75**	**+ 17**	**- 184**	**- 191**	**- 13**	**- 51**

1. Including other OEEC countries.

items, furthermore, was larger in the first half of 1953 than in any half-year period since the war. The increase in this deficit from the first half of 1952 was mainly due to larger payments for military services, but an increase in official contributions and larger net payments of interest and dividends also played a role.

The Canadian dollar weakened on the international exchange markets as the first six months of the year passed. The value of the United States dollar in Canada rose from 97.03 cents at the close of 1952 to a high of 99.78 cents in May, hovering between 99.16 and 99.63 throughout June. Despite the emergence of a substantial current account deficit in the first quarter, heavier long-term capital inflows for direct investment and for new issues of Canadian securities provided strength for the Canadian dollar, and the quarterly average exchange rate changed but little, although there was evidence of a trend toward weakness. In the succeeding quarter, however, there was little change in the current account deficit but a sharp contraction occurred in the inflows of capital from the sale of new issues and there was a surge of liquidation of foreign holdings of Canadian securities. These developments stemmed from a substantial drop in bond prices in the United States and contributed to the decline in the exchange value of the Canadian dollar in this period.

The reversal from surplus to deficit between 1952 and 1953 occurred mainly in the first half of 1953, but was not restricted to that period. There were surpluses on trade account in the last two quarters of 1953 but they were smaller than those one year earlier, and the deficit on non-merchandise items was larger. There was, however, a distinct improvement in the current balance from the first to the second half of 1953. The smaller deficits in the second half of 1953 compared to those of the first half were due partly to seasonal improvement in invisible items and also to retardation in the growth of import volume after mid 1953. In the fourth quarter both export and import volume fell below the levels of one year earlier. Wheat accounted for an important part of the fourth quarter drop in exports. The slowing down and reversal of the strong increases in import volume reflected particularly the cessation of growth in business inventories; the latter had been a strong factor in the rise in expenditures through most of 1953. Most other com-

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1952 and 1953

Quotations reported on transactions between banks in the exchange market

(Source: Bank of Canada)

Quarter	1952			1953		
	High	Low	Noon Average	High	Low	Noon Average
	(Canadian cents per unit)					
I	101.13	98.38	100.06	98.63	96.75	97.71
II	98.75	97.19	98.14	99.78	98.00	99.08
III	97.75	95.88	96.35	99.44	97.78	98.82
IV	98.63	96.00	97.02	98.66	97.00	97.77
Year	**101.13**	**95.88**	**97.89**	**99.78**	**96.75**	**98.34**

Closing Quotations: 1951, 101.1875; 1952, 97.03125; 1953, 97.375

ponents of gross national expenditure, and import volume as well, remained at very high levels in the fourth quarter. The terms of trade, which had fallen steadily for over a year, were still relatively favourable.

The substantial reduction of the current account deficit in the third quarter was probably the leading factor in the strengthening of the Canadian dollar. While the private repatriation of Canadian government securities did not continue on the scale of the second quarter, new issues abroad showed a further decline. Bond prices in the United States rose sharply during the last half of 1953 and the differential between yields in the two countries prevailing in the early months of the year was re-established. This contributed again to heavy sales of new security issues abroad in the final quarter. This growth of long-term capital inflows was more than sufficient to cover the small increase in the deficit on current account in the fourth quarter and the Canadian dollar strengthened further. By the close of the year the United States dollar was quoted at 97.37 cents, a net change of only 0.34 cents from 1952.

Bilateral Changes

There were substantial changes in the bilateral distribution of Canada's current transactions in 1953. While both receipts and payments rose in transactions with the United States, current transactions with overseas countries generally indicate larger payments by Canada and lower receipts. The current account deficit with the United States rose by $75 million to $924 million, but the most important factor in the deterioration of the current surplus was the decline in the surplus with overseas countries by $528 million to $485 million. Roughly one half of this change occurred in transactions with the sterling area.

The effect of these changes was to raise the share of the United States in total exports and current receipts but to lower slightly her share in current payments by Canada. In 1953 current receipts from the United States were 62 per cent of all current receipts, while current payments to the United States were 73 per cent of all current payments (both figures exclude Mutual Aid). The former proportion is substantially higher than that prevailing in the earlier post-war years.

The decrease in the surplus with overseas countries was distributed over each of the countries or areas shown in the balance of payments. The surplus with the United Kingdom fell by $246 million to $142 million; this is the lowest surplus since the war except for the unusually small surplus of 1950. Virtually the same type of statement can be made for the current balance with other sterling area countries and other OEEC countries. The surplus with the remaining overseas countries, though considerably reduced from 1952, has remained above those of any other post-war year. This reflects in particular a large export balance with Japan in 1953.

Looking at these changes in another way, overseas countries generally improved their current account position with Canada by a reduction in purchases from Canada and larger sales to Canada. These countries had experienced particularly large deficits with Canada in the early post-war years when their reconstruction needs were great and export credits and loans extended by the Canadian Government had been an important factor in maintaining their purchases in Canada. In 1950 Canada's surplus with overseas countries was virtually eliminated, but transactions in 1951 increased the surplus to $434 million. Large exports of grains in particular raised the surplus with overseas countries in 1952 to $1,013 million, second only to that of 1947. The main factor in reducing this surplus in 1953 was a fall in Canadian exports of $299 million and a rise in imports of $130 million. An important contributory factor was the change from a surplus for Canada on invisibles of $53 million to a deficit of $46 million. The surplus of $485 million with overseas countries is roughly comparable in total to that of 1951 although the area distribution is different.

Both exports to and imports from the United States were higher in 1953, but the more rapid increase in imports led to an increase in the trade deficit by $117 million. The deficit on invisibles was reduced, however, by $42 million. These opposite movements raised the deficit with the United States by $75 million to $924 million, a figure not far from the 1951 deficit with the United States but well below the post-war peak of 1947.

Exchange transfers in settlement of overseas balances dropped from the record post-war figure of $1,007 million in 1952 to $624 million in 1953. In the former year, Canada's current account surplus of $1,013 million with overseas countries was partly offset by a small net capital export to these countries. While the current surpluses declined by $528 million to $485 million in 1953, there was a significant net import of capital from overseas of $139 million. As a consequence of these transactions Canada had net multilateral receipts of $624 million available in the United States account. The receipt by Canada in 1953 of multilateral settlements in excess of the net balance of goods and services provided to overseas countries represents in part a settlement of earlier current account deficits of these countries financed through the extension of loans now being repaid. But it also reflects the use by some of these countries of the resources available to them, for investment in the Canadian economy rather than for imports on the scale of the previous year.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1946-1953

(Millions of dollars)

Country or Area	1946	1947	1948	1949	1950	1951	1952	1953	Change in 1953
United States	- 607	- 1,134	- 393	- 601	- 400	- 951	- 849	- 924	- 75
United Kingdom	+ 500	+ 633	+ 486	+ 446	+ 24	+ 223	+ 388	+ 142	- 246
Other sterling area	+ 164	+ 242	+ 129	+ 135	- 23	- 24	+ 114	+ 87	- 27
Other OEEC countries	+ 248	+ 276	+ 226	+ 185	+ 108	+ 223	+ 332	+ 179	- 153
All other countries	+ 58	+ 32	+ 3	+ 12	- 43	+ 12	+ 179	+ 77	- 102
All Countries	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 439**	**- 603**

Changes in the Current Account

Merchandise trade

The most important factor leading to the sharp reversal from a surplus to a deficit on trade account was the continued rise in import volume. A slight decrease in export volume and some deterioration in the terms of trade also contributed to the appearance of the deficit on trade.

Unadjusted trade returns indicate a rise of 8.7% in the value of imports. This was due solely to an increase of 9.4% in the volume of imports; import prices were 0.9% lower in 1953 as a whole. The value of domestic exports fell by 4.3%. The larger part of this decline was due to a fall of 2.9% in export prices, while the volume of exports was down slightly by 1.5%.

The volume of imports has risen rapidly in each of the past four years and been the most important change leading to the deficits characteristic of this period. The marked decline in import prices in 1952, combined with a much larger volume of grain exports, had offset the effects of rising import volume and led to a current account surplus in that year. The continued rise of import volume led to a sudden and large reversal of the trade balance in 1953, in the absence of further improvement in the terms of trade or in export volume. The growth in import volume was checked after the middle of the year, however, and in the fourth quarter both export and import volume fell below the corresponding 1952 levels. Price movements have been relatively small since the first quarter of 1952. Export prices fell slowly but steadily throughout the succeeding quarters of 1952 and 1953, while import prices fell through most of 1952 but have shown firmness in 1953 and were at a slightly higher level at the end of the year than at the beginning. On an annual basis the effect of price changes was to lead to some worsening of the terms of trade as compared to 1952. The terms of trade in 1953, however, were still substantially better than those of any year from 1948 to 1951. This is a reflection of the fact that the rapid rise in export and import prices in 1951 has since been largely reversed for imports but not for exports; import prices in 1952 and 1953 were about the 1950 average, while export prices were well over that average.

The decline in export prices affected all groups of exports except the iron and steel and non-metallic mineral groups. Price declines affected a number of Canada's important exports, although this was by no means uniform. The slight decrease in export volume affected five of the eight broad groups of exports; but the groups comprising non-ferrous metals, chemicals and miscellaneous products were higher and newsprint paper volume was slightly greater. The volume of wheat exports was lower, however, particularly in the fourth quarter and many manufactured items were down sharply in volume.

The decrease in export values was spread over a number of leading commodities. The improved supply situation abroad was an important factor in the decline of wheat exports by $53 million, but the 1953 total of $568 million was above that of any post-war year except 1952. Sales of wood pulp, pulpwood and planks and boards also fell, due partly to lower average prices, but newsprint paper rose by $27 million to an all-time peak of $619 million. Exports of aluminum, copper and nickel were higher, but the lower values of zinc and lead exports more than offset these gains. The latter two exports were particularly affected by low prices. There were some substantial decreases in the value of exports of manufactured goods. Exports of automobiles were well below the exceptional levels of 1952. Unusually high sales in earlier years, combined with declining farm income in the United States and exchange difficulties overseas, contributed to the decline in exports of farm implements.

The decrease in exports was concentrated in overseas markets, affecting such products as grains, metals, forest products, and automobiles. Larger

grain supplies in importing countries and in other exporting countries reduced overseas demand for Canadian grains. Competition was sharper for some products, such as several base metals. Import controls continued to limit access to Commonwealth markets, particularly for manufactures. Exports of grains to the United Kingdom were higher in the full year, particularly exports of barley, and increases occurred in some other products. But sharp decreases in exports of beef, lumber, zinc, and aluminum more than offset these increases. Some of these decreases relate to increased competition or lower prices but some were due to special circumstances. The decrease in exports of beef reflects the termination of a special arrangement effected at the time of the hoof and mouth disease. Lower exports of aluminum reflect agreement to divert to the United States production which had been contracted for sale to the United Kingdom.

Exports were lower to each of the other overseas areas shown in the balance of payments. Most of the sterling area countries took lower exports in 1953. The major exceptions were the Union of South Africa and Pakistan. Large exports of wheat, some of which were financed under the Colombo Plan, raised exports to the latter country. Exports to OEEC countries in Europe and their dependencies fell sharply. The drop in exports of grains to these countries was the major factor in the overall decline. Exports to Canada's third largest market in 1952, namely Belgium, were sharply reduced because of lower grain purchases. All of the other major markets in this group of countries reduced their total purchases from Canada, with the exception of the Netherlands and Switzerland. Exports to Latin America were also greatly reduced, with large decreases to Brazil, Cuba and Mexico. The major reduction in exports to Latin America occurred in automobiles and parts. Exports to remaining foreign countries were generally lower. The major exceptions were Japan and Korea; the former was Canada's third largest export market in 1953.

In contrast to overseas markets, the United States increased her purchases from Canada. With prices somewhat lower, the increase in value reflected an appreciable increase in volume. Seven of the nine groups of exports to the United States were higher in value in 1953. Agriculture and vegetable products declined mainly because feed grains and other fodders were more plentiful in the United States. The largest increase was in exports of non-ferrous metals, reflecting a diversion from overseas markets to the United States. The volume of such exports was up sharply, while prices were lower on the average. Lead and zinc were the only major metals to show a decrease in value of exports to the United States, but the volume of the latter rose sharply. Newsprint, the major export to that market, was higher mainly because of higher average prices. Planks and boards were also up, reflecting increased construction activity in the United States. Exports of farm implements were lower.

For most groups of imports, prices were only slightly different from the 1952 levels. Group price indexes were substantially lower for fibres and textiles and the miscellaneous products group. Volume indexes were significantly higher in all import groups except non-metallic minerals. Particularly sharp volume increases occurred in fibres and textiles, wood products, non-ferrous metals, chemicals, and miscellaneous products. Although the percentage change in value and volume in the iron and products group was not as great as in some other groups, the very large proportion of total imports in the group give changes in it a predominant effect on the import totals. Iron and steel products were 35% of the total value of imports in 1953; volume rose by 6% in 1953.

The increase in imports was spread over a wide range of products. Substantial increases occurred in imports of producers' investment goods such as machinery and electrical apparatus. There were large increases in imports of consumer durables, particularly automobiles, and of non-durables such as textile products. Imports of a variety of industrial materials were also higher.

These increases are of course closely related to the heavy spending on consumption and investment which characterized the Canadian economy in 1953. Business inventories were rising in the first three quarters of 1953 and machinery and equipment expenditures in Canada were at very high levels in this period. In the fourth quarter there was some levelling out and decreases in some of these types of expenditures, which in turn led to decreased imports. But all of these types of expenditures remained at very high levels and personal consumption continued to rise throughout the whole period.

Import volume from the United States increased by almost 8%. The value and volume of six of the nine import groups were higher, and the decreases in agriculture and vegetable products and fibres and textiles were due solely to lower prices. Major increases occurred in the value of imports of electrical apparatus and automobiles and parts, while a number of other consumer and investment goods were higher. Imports of coal, however, have been decreasing because of competition from other fuels in Canada.

Unlike the decrease in exports to these countries, imports from overseas countries generally rose. Imports from the United Kingdom accounted for most of this increase. The increase in imports of wool products from the United Kingdom was especially great. Increased imports from the United Kingdom included many investment goods and consumer durables, such as machinery and automobiles. European countries increased their exports of a wide variety of finished goods to Canada. Germany and the Netherlands showed the greatest gains in sales to Canada, with textiles and machinery playing an important part. Imports from other sterling area

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports

(1948 = 100)

Year and Quarter	Price Indexes		Terms of Trade	Volume Indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1952 I	124.8	117.3	106.4	103.0	118.1
II	122.0	110.9	110.0	118.1	140.9
III	120.6	107.1	112.6	113.7	140.6
IV	119.9	107.9	111.1	124.8	151.7
1953 I	119.2	108.5	109.9	98.2	138.7
II	119.0	109.4	108.8	119.5	168.4
III	118.7	110.3	107.6	117.7	152.5
IV	116.9	110.2	106.1	116.9	143.4

Note. Indexes indicate movements in unadjusted trade data.

countries did not participate in the general increase while those from Latin America were moderately higher. Very low prices for some industrial materials tended to keep imports from these two latter areas from rising, and as primary producers they did not share to any great extent in the increase in imports of investment goods and other manufactures.

The values and indexes referred to in this section are for unadjusted trade returns. When used in the balance of payments, merchandise trade is adjusted for non-commercial items, defence payments, and duplication with other parts of the current account. In 1952 and 1953 these adjustments reduced exports by about $20 million in each year and imports by about $180 million in each year, as shown in statement 6. Thus changes in exports, imports, and in the trade balance will be about the same in both adjusted and unadjusted trade data; but the balances themselves will differ in each year, the adjusted balance showing a larger surplus or smaller deficit than that appearing in Customs trade returns.[1] While the effects of such adjustments can be important for the current account balance, their effects on total imports or exports are small.

The value of non-monetary gold available for export fell from $150 million in 1952 to $144 million. Production was higher in the first half of 1953, but the effects of the strike on second half production more than offset this gain. As in 1952, the discount on the U.S. dollar in terms of Canadian funds continued to limit the Canadian dollar value of gold production available for export. Since November 1, 1951, this item has included not only the sales by the Mint to the Exchange Fund and a small amount exported in the form of concentrates, but also sales abroad of commercial gold by producers. Increases in stocks held at the Mint in safekeeping for the mines are excluded.

1. In contrast to the adjustments in 1952 and 1953, those in 1951 resulted in a deduction from exports of about $15 million and an addition to imports of about the same amount.

STATEMENT 6. Adjustments to Commodity Trade, 1952 and 1953

(trade with all countries in millions of dollars)

Exports	1952	1953	Imports	1952	1953
Domestic exports in trade returns..	4,301.1	4,117.4	Imports in trade returns	4,030.5	4,382.8
Exports of foreign produce	54.9	55.2			
Total exports	4,356.0	4,172.6			
Adjustments:			Adjustments:		
Tourist exports	- 3.8	- 3.2	Tourist imports	- 66.7	- 73.8
Settlers' effects	- 14.9	- 16.1	Settlers' effects	- 25.7	- 29.0
Private donations	- 3.1	- 3.0	Advertising	- 5.1	- 6.5
Warehousing	+ 13.6	+ 6.2	Warehousing	+ 3.3	+ 14.2
All other adjustments	- 8.4	- 4.7	All other adjustments	- 86.3	- 79.1
Total adjustments	**- 16.6**	**- 20.8**	**Total adjustments**	**- 180.5**	**- 174.2**
Merchandise exports (adjusted)	4,339.4	4,151.8	Merchandise imports (adjusted)	3,850.0	4,208.6

STATEMENT 7. Summary of Changes in the Principal Elements of Canada's Current Account with All Countries, 1953

(Millions of dollars)

Account	1950	1951	1952	1953[2]	Change in 1953
Exports (adjusted)[1]	3,139	3,950	4,339	4,152	- 187
Imports (adjusted)	3,129	4,097	3,850	4,209	+ 359
Balance on commodity trade	+ **10**	- **147**	+ **489**	- **57**	- **546**
Gold production available for export	+ 163	+ 150	+ 150	+ 144	- 6
Travel expenditures	+ 49	- 6	- 66	- 63	+ 3
Interest and dividends	- 384	- 335	- 268	- 246	+ 22
Freight and shipping	- 17	- 3	+ 8	- 45	- 53
Inheritances and migrants' funds	- 4	+ 7	- 9	+ 1	+ 10
All other current transactions	- 151	- 183	- 140	- 173	- 33
Balance on non-merchandise transactions	- **344**	- **370**	- **325**	- **382**	- **57**
Current account balance	- 334	- 517	+ 164	- 439	- 603

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Subject to revision.

Travel expenditures

In contrast to the stability in the expenditures by United States travellers in Canada for some years, there was an appreciable rise of 10% in 1953. While Canadian expenditures on travel in the United States continued to increase, the rate of increase was much less than in recent years. Consequently the size of the deficit with the United States was cut significantly from $37 million to $25 million The reduction in the deficit with all countries to $63 million was slight as Canadian expenditures on travel in overseas countries again rose sharply to $38 million.

The largest changes in the movements and expenditures of United States travellers to Canada occurred in automobile travel, particularly in groups of visitors entering by automobile under customs permits for visits of two days or more. This group of visitors spent more than in the previous year but the average length of visit was not much different. This relative stability in the length of visit contrasts with a declining trend which was interrupted in 1952. But there were also more visitors by car staying for short periods. The expenditures of visitors travelling to Canada by airplane and by bus also rose while there was a decline in both the number and expenditures of train travellers.

The number of automobiles and levels of incomes in the United States were higher than ever before in 1953. In the summer months of 1953 there was only a slight premium on the Canadian dollar in contrast to the larger premium which prevailed during the travel season of 1952. The rate of increase in the expenditures in Canada of United States travellers of 10% was about the same rate of increase as in United States travel expenditures in all countries. While the rate of increase in Canada was less than the rate of increase in expenditures in Europe it was more than in Central America and the Caribbean areas where increases were small.

The increase in travel expenditures of Canadians in the United States of 4% follows increases which had been continuing since 1949 at considerably higher rates, for example a rise of almost 20% in 1952. Factors behind the growth since 1948 were relaxations and the final removal of all exchange restrictions on travel involving expenditures of United States dollars, the growth in ownership of automobiles in Canada and generally expanding incomes and living standards. Shopping attractions in the United States also became a more influential stimulant to Canadian travel to the United States once restrictions on expenditures were removed, and finally the premium on the Canadian dollar in 1952 and 1953 has introduced another important factor in recent years which contrasts with the substantial discount on the Canadian dollar characteristic in 1950 and 1951.

The increase in the expenditures of Canadians returning from the United States by automobile was 12% in 1953 and expenditures by air travellers rose even more sharply. The rise in total expenditures by Canadian travellers was moderated however by declines in expenditures of travellers by train and bus. There was a sharp increase in purchases in the United States declared by returning Canadians under the $100.00 exemption privilege. These rose by $6 million to $72 million, an increase which in

STATEMENT 8. International Travel Expenditures between Canada and Other Countries, 1948-1953

(Millions of dollars)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
1948	267	113	+ 154	12	21	- 9	279	134	+ 145
1949	267	165	+ 102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953[1]	282	307	- 25	20	58	- 38	302	365	- 63

1. Subject to revision.

itself makes up almost one-half of the rise in total expenditures in the United States by Canadian travellers.

The rise of 23% in expenditures by Canadian travellers in overseas countries was relatively large and was enough to offset most of the reduction in the deficit with the United States. The Coronation in the United Kingdom was a stimulant to overseas travel early in the season. Increasing transportation facilities, including tourist flights by air, and rising incomes in Canada have broadened the group of Canadians travelling overseas. A small rise occurred in expenditures of overseas travellers in Canada.

Income account

Net payments for interest and dividends fell by $22 million to $246 million. This is a smaller deficit on income account than in any post-war year except 1946 and contrasts with the rising trend of Canada's balance of international indebtedness. Interest receipts were somewhat higher in 1953 but the main factor in raising receipts was sharply increased dividend receipts. This was particularly the case for receipts of dividends from subsidiaries in the United States and Other Sterling Area countries. Dividend payments were lower, particularly those to the United States, but larger payments of interest offset part of this. Dividends paid out continued to be substantially less than the total earnings accruing to non-resident shareholders. Earnings retained in companies are not included in the income item of the current account.

Since 1950 the deficit on income account has been steadily and sharply reduced. The major factor in the rise of interest receipts since 1950 has been interest on government loans, although the increased income of the Exchange Fund since 1950 has also played a role. The sharp increases in dividend receipts in 1952 and 1953 are partly due to higher earnings of Canadian subsidiaries abroad, but to an important degree they also reflect decisions to transfer accumulated past earnings which had been left abroad. The rise in interest payments in the last few years reflects the large net new issues placed abroad and higher interest rates on the borrowings of recent years.

The largest item in the income account is dividend payments abroad. These payments have fallen steadily since the very high level reached in 1950. The fall from 1950 to 1951 was partly a matter of timing; the large payments in the fourth quarter of 1950 were due in part to administrative changes by the exchange control which, among other things, permitted remittance of earnings on a quarterly rather than annual basis. The decreases in payments in 1952 and 1953 reflect a number of factors. In 1952 the decrease was almost wholly limited to subsidiaries of United States concerns in Canada. In 1953 lower payments were made both by subsidiaries and by Canadian owned corporations in which there is a non-resident interest. The decrease in 1953 was concentrated in the last half of the year. It might have been significantly greater had it not been for a number of cases of transfer of accumulated earnings. While corporation earnings were generally maintained, in some cases the decreases represent lower earnings, which led to smaller transfers to parents or cuts in dividend rates; in other cases the decreases reflect decisions to retain earnings to finance investment programmes in Canada. The sharpest decreases in dividend transfers abroad occurred in the case of a number of mining companies, whose earnings were lower because of the drop in metal prices.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and All Countries, 1950-1953

(Millions of dollars)

Year	Receipts		Payments		Balance
	Interest	Dividends	Interest	Dividends	
1950	28	63	109	366	- 384
1951	53	62	114	336	- 335
1952	60	85	115	298	- 268
1953[1].....	63	101	121	289	- 246

1. Subject to revision.

It is interesting to note that the relative importance of interest and dividends has declined considerably over the years. In 1938-39 interest and dividend payments amounted to 22 per cent of total current receipts; in 1926-30 they were 18 per cent. In the years from 1946-51 as a whole they had fallen to only 9 per cent, and this was further reduced to 7 per cent in 1952 and 1953. As in past years, however, net payments of interest and dividends continues to be the largest single deficit account.

Freight and shipping account

Canada's freight and shipping account resulted in a deficit of $45 million in 1953, compared with a surplus of $8 million in the previous year and small deficits in the two preceding years. Before that for a number of years there were substantial surpluses arising partly from the operations of the large Canadian Merchant Fleet which still existed at that time.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1950-1953

(Millions of dollars)

Item	1950	1951	1952	1953[1]
Receipts by Canada				
Ocean Shipping:				
Canadian ships:				
Gross earnings on exports	48	54	56	58
Charter receipts	6	12	13	7
Inter-port revenues	16	34	33	17
Sub-Total	70	100	102	82
Expenditures of foreign ships in Canada	38	40	43	41
Gross Shipping Receipts	**108**	**140**	**145**	**123**
Inland freight on exports	142	177	201	178
Intransit revenues	28	28	29	30
Other receipts	6	6	8	6
Gross Receipts (Table I, item A6)	**284**	**351**	**383**	**337**
Payments by Canada				
Ocean Shipping:				
Expenditures abroad of Canadian shipping companies	20	33	64	60
Charter payments	18	27		
Freight on imports via Canadian ports	66	76	71	80
Gross Shipping Payments	**104**	**136**	**135**	**140**
Inland Rail Freight in U.S. on Imports:				
Coal via vessel	53	49	48	48
Coal via rail	40	38	33	26
Other rail freight	80	97	117	123
Sub-Total	173	184	198	197
Miscellaneous Payments	24	34	42	45
Gross Payments (Table I, item B6)	**301**	**354**	**375**	**382**

1. Subject to revision.

The change in the freight account like that in the whole current account of the balance of payments took the form of an increase in the deficit with the United States and reductions in the balance of receipts in each of the United Kingdom, Other OEEC Countries and Other Foreign Countries. The appearance of a deficit in 1953 is, of course, related to the trends on commodity account involving a much larger volume of imports and a small reduction in the volume of exports. But moderating the payments for freight on the larger volume of imports were changes in the composition of trade and some reductions in ocean rates. Also contributing a considerable part to the reduction in receipts was a decline in the income of Canadian shipping companies with a reduction in the Canadian operated fleet and lower ocean rates.

The largest part of the change to a deficit with all countries was due to a contraction in receipts of $50 million. Two-fifths of this was due to a drop of some 20 per cent in the revenues of Canadian shipping companies which appear in the balance of payments. Most of the remaining drop was in inland freight receipts which declined by more than 10 per cent. This was chiefly a reduction in the earnings of Canadian transportation concerns carrying a reduced volume of exports to Canadian ocean ports for overseas delivery. Earnings on export traffic to the United States border were relatively well maintained.

Inheritances and migrants' funds

Net transfers of inheritances and migrants funds' which showed a deficit of $9 million in 1952, were almost in balance in 1953. The number of immigrants was about the same as in 1952, but average transfers were greater and immigrants' funds rose to a post-war peak of $75 million. Exchange restrictions in a number of countries continue to limit the amounts of funds which can be transferred by immigrants. Emigrants' funds were somewhat less than the high levels of 1952. The removal of all controls on the transfer of funds from Canada, and an increase in the number of emigrants, had raised transfers greatly in 1952.

Miscellaneous current transactions

As in 1952, all other current transactions resulted in a deficit second only to that of the interest and dividends account. A more rapid rise in payments than in receipts increased the deficit for the varied transactions by $33 million to $173 million. The full extent of this change occurred in government transactions. These particular payments abroad by the Government of Canada rose sharply, and more than offset increased spending in Canada by foreign governments. The government transactions shown in this account exclude merchandise transactions, Canadian Mutual Aid to NATO countries, and the servicing of Government debt.

Increased defence spending in Canada by the United States Government was the major factor in raising receipts. Canadian Government spending abroad was substantially higher in 1953. Official contributions rose by $8 million to $24 million. Most of this consists of payments under the Colombo Plan. Such payments are, for the most part, an offset to merchandise exports. Other payments included those for flood relief in Europe and the United Nations Korean Relief Agency. Participation in the North Atlantic Treaty Organization resulted in increased expenditures in the United Kingdom and Western Europe. This involved such items as payments for the maintenance of forces and contributions to joint defence costs. Apart from the current costs involved in Korea, a special payment was made in 1953 for supplies and services secured from other participants. This latter payment, which is recorded in the account with the United Kingdom, was the most important factor in the sharp rise of miscellaneous government payments. A number of other government expenditures, such as those for representation abroad, were also higher in 1953.

Personal and institutional remittances were somewhat higher in 1953. The large number of recent immigrants living in Canada has contributed to a general rise. There were also in 1953 private remittances to the United Kingdom and Holland for flood relief. Remittances by United States technical workers and military personnel in Canada have kept payments at high levels in recent years. Miscellaneous income includes a variety of income transfers which cannot be classified in the interest and dividends account. Prominent on the receipts side are profits of insurance companies and banks from the operation of branches abroad, while among the more important payments are estate and trust income and interest on other than bonded debt. This last item has risen rapidly in recent years as subsidiaries in Canada have increased their borrowing from related companies abroad.

The usual large deficit in the miscellaneous transactions account is due mainly to business services and other transactions. The term business services covers a wide variety of items which, however, do not lend themselves easily to classification. It includes, for example, receipts and payments for royalties, patents and copyrights, charges for administration and management, commissions, fees, and similar items. Preliminary estimates indicate both higher receipts and payments in 1953. These services are associated in part with the increased tempo of direct investment in Canada and Canadian direct investment abroad, but they also reflect the very high levels of other investment in Canada, and of international trade and production generally. To some extent they represent the costs of borrowing highly developed techniques from abroad, in the same way that interest and dividend payments represent the charges on capital borrowed from abroad.

The "other transactions" referred to in statement 11 cover such items as various international service transactions of the railways and airlines (except for freight and passenger transactions and interest and dividends), and payments and receipts for insurance,

STATEMENT 11. Miscellaneous Current Transactions with All Countries

Revised 1952 and Preliminary 1953
(Millions of dollars)

Item	1952		1953		
	Receipts	Payments	Receipts	Payments	Balance
Official contributions	—	16	—	24	- 24
Government transactions, n.o.p.	122	71	148	122	+ 26
Personal and institutional remittances	20	50	22	55	- 33
Miscellaneous income[1]	31	39	32	41	- 9
Business services and other transactions[2]	108	245	119	252	-133
Total (Table I, items A11 and B9, 11)	**281**	**421**	**321**	**494**	**-173**

1. Including transfers of branch profits by insurance companies and banks.
2. Comparisons with previously published data for 1951 should take account of a downward revision of about $30 million in both receipts and payments for that year. This revision, affecting transactions with the United States, has not been carried into the data for 1951 in this report pending further analysis.

film rentals, the income of commuters and migrant labour, and trade union transfers. Net payments by the railways, which are the largest transfers in this group, were lower in 1953. This reflects in part improved operations on their lines in the United States.

Defence Expenditures and the Balance of Payments

Canadian expenditures on defence activities since mid-1950 have had profound effects on the balance of payments both directly and indirectly. The direct impact is measured in three ways; namely, payments on defence contracts, Mutual Aid to NATO countries, and government service payments. At the same time there have been expenditures in Canada by other governments on procurements and on other defence activities.

Abnormal movements of commodities on government account reappeared in substantial volume in 1951. For balance of payments purposes, payments abroad on defence contracts by the Canadian Government have been substituted for actual direct defence imports and there have been significant differences between times of payment and shipment. On the export side, similarly, receipts from other governments for defence orders in Canada have been substituted for exports on defence contracts, but the former have not diverged greatly in total from actual exports. This treatment, by taking payments instead of movements of goods into the current account, avoids therefore the introduction of abnormal capital account entries which are not related to normal commercial leads and lags. It also accounts for defence purchases abroad which are delivered directly overseas. This procedure gives, furthermore, a better approximation to the actual values as finally determined, since the proper values to be assigned to shipments of these types are often not known at the time of shipment.

These adjustments to import and export statistics, along with the usual adjustments for duplication and non-commercial items, lead to a different merchandise trade balance than that shown in the regularly published trade statistics which are derived from Customs returns. The effects of such adjustments can be large in relation to a small current account balance, although they are small in relation to total imports or exports. It should be noted that the customary non-defence adjustments to trade deduct more from imports than from exports, so that the adjusted trade surplus will usually exceed that in Customs returns and a deficit will be smaller. But the effect of the adjustments for defence transactions has not been consistently in one direction. Both Customs data and adjusted data reflect, of course, the increase in imports and exports from defence contracts over the past several years. The timing of the change since 1950, however, is different in the two series. Starting in 1950 and becoming substantial in 1951 defence payments included advance payments and therefore exceeded actual imports, and the adjustment raised the deficit on commodity movements. Other adjustments to trade, however, had the effect of offsetting most of this. When deliveries on contracts increased in 1952 and 1953 actual defence imports exceeded payments so that there were further deductions from Customs imports besides the other adjustments made to trade. Defence and other adjustments to trade in 1952 raised the surplus as shown in Customs returns, while in 1953 they lowered the deficit. Over the three years from 1951 to 1953 the defence adjustment has virtually cancelled out since payments are the counterpart of commodity movements.

Mutual Aid to NATO countries represents contributions by the Canadian Government to North Atlantic Treaty countries under the Defence Appropriation Act. The contributions include shipments of equipment and supplies and the provision of air training

to European aircrews. The shipments are excluded from the export statistics published by the Bureau. They are included in total current receipts in annual statements in order to show the total of goods and services supplied to other countries. Since they are unilateral transactions, however, in the form of a contribution, they are offset by corresponding entries in current payments. These transactions do not directly affect the current account balance and are not distributed by quarters or areas.

From 1950 to 1953 inclusive such Mutual Aid amounted to approximately $648 million. Where, as was true earlier, it represented shipments of stocks, such stocks had to be replaced partly in the United States. More recently, current production has been contributing a growing portion of the Mutual Aid and this has direct effects on imports from other countries.

Government service receipts and payments for defence activities are included in the miscellaneous account. They make up a large part of the government portion of this account and for several years have been the most volatile elements in the miscellaneous account. On the receipts side they include such items as United States defence spending in Canada in connection with defence projects here. Payments include expenditures for maintenance of military personnel in Korea and Europe, and for some supplies, equipment, and ammunition obtained and used overseas.

These various types of defence expenditure have, on balance, contributed substantially to the deficits in the recent period as a whole, and more particularly in the years before 1953. Apart from the direct effects mentioned above, there have been a number of indirect effects on the current account balance which do not lend themselves easily to measurement. Some of these involve expenditures outside of Canada by contractors and some are more indirect. The defence programme since 1950 has contributed to the buoyant levels of economic activity in Canada which have in turn led to the large increase in import volume. At the same time, the defence activities of the United States and other countries have affected a number of exports of Canadian products as well as invisible receipts. The definition of defence activities can, furthermore, be broadened to include other than those described above.

Capital Movements

The persistent capital inflows for long-term investment in Canada continued through 1953 to be the outstanding feature of the capital account in Canada's balance of payments. A new development in the year, however, was the rapidly changing inter-relationship between interest rates in Canada and in the United States which appears to have had a marked effect on international portfolio security transactions. The growing strength of the Canadian dollar on the exchange markets in 1951-52 undoubtedly played an important role in the substantial repatriation of government bonds which occurred in that period and indeed more than offset for non-resident investors the decline in Canadian bond prices. It was, of course, also an important factor in the very heavy outward movements of private short-term capital through which Canada's international accounts were balanced. The exchange rate played a much less decisive role in international security movements in 1953 while divergent conditions in the bond markets of Canada and the United States became of greater importance.

Over the year as a whole, interest rates in both Canada and the United States rose slightly. Yields on representative Canadian and United States Government long-term bonds each rose an average of 3 base points from December 1952 to December 1953, and the spread between them remained unchanged at 90 base points. In the course of the year, however, marked differences developed. By May and June the spread had narrowed to 59 base points. In the six months ending in June, the average yield on United States Treasury 2½/68 rose from 2.68% to 3.11%, while that on Canada 3/66 rose only from 3.58% to 3.70%. Over the last half of the year, interest rates fell and in December the yields averaged 2.72% on the United States and 3.61% on the Canadian issues. The principal developments in the second quarter, when heavy liquidation of United States holdings of Canadian government bonds occurred and when sales of new Canadian issues in that country contracted sharply, may be of special interest. In mid-April announcement was made of a new issue of United States Government 3¼% long-term bonds, which was followed near the end of the month by an increase in the interest rates charged by New York City banks. This led to a general re-appraisal of yields on public securities, which was given further importance early in May by increases up to ½ per cent in rates on United States Government-backed home mortgages; the mortgage market is of particular significance to life insurance companies and other institutional lenders who are important holders of Canadian government bonds. There seems little doubt that the altered relationship of yields in the two countries and anticipated extension of activity in the United States home mortgage market were among the leading factors in the ensuing return of capital from Canada to the United States. Although for a time interest rates in the United States continued to rise, the Federal Reserve System adopted policies between May and July to ease pressure on the United States money market. These developments had, as will be seen, sharp but short lived effects on the flows of capital between the United States and Canada.

A particularly significant development in 1953 was the net import of capital from overseas countries amounting to $139 million. In only two other years since the war have net inflows occurred, and the amount involved in 1953 was more than double

the larger of these. While repayments on official loans accounted for a substantial part of the inflow, there were important transfers of private capital for direct and other long-term investment.

Direct investments in Canada

The net movement of capital into Canada for direct investment in foreign-controlled companies and branches increased to almost $400 million in 1953, a rise of 15% over 1952. These net inflows have increased year by year since the end of the war, and over the period the annual rate has multiplied tenfold. For the eight years as a whole nearly nine-tenths of these movements have been from the United States but those from the United Kingdom and other overseas countries have been growing recently and in 1953 were greater than in any two previous post-war years.

Detail by major industrial groups to which there were net inward movements of United States direct investment capital aggregating $330 million in 1953 will be found in statement 12. This statement also gives some indication of the factors contributing to the growth in the aggregate book value of these investments which is provisionally estimated at about $496 million in 1953. Gross inflows for investment in United States-controlled petroleum (exploration, development and refining) and mining firms totalled $155 million and $104 million respectively and were at record levels. Inflows into transportation companies associated with these resource developments were somewhat smaller than in 1952, however, and as a result the inflows for mining and petroleum including related utilities were just about the same as in the previous year. In both years more than three-quarters of the gross inflows of United States direct investment capital were for these resource developments. Among other United States controlled industries drawing important amounts of additional capital were chemical, home appliance, and other manufacturing firms.

Capital movements for direct investment recorded in the balance of payments generally include transfers to concerns which are controlled by non-residents. Also included are some transfers to companies where control does not lie abroad but where the relationship of the foreign investors may be regarded as representing more than normal portfolio investment. In determining the cases to be given this special treatment, consideration is accorded such factors as the participation of major investors in similar businesses abroad or in the Canadian management, and size of investment.

STATEMENT 12. United States Direct Investment in Canada, 1946-1953

(Millions of dollars)

Account	1946	1947	1948	1949	1950	1951	1952	1953	1946-1953
Inflow of new capital:									
Petroleum exploration, development and refining	2	12	23	59	98	140	128	155	617
Transportation	—	—	—	—	18	10	51	17	96
Mining	—	2	5	10	30	37	99	104	287
Pulp and paper	20	11	14	3	9	31	7	—	95
Finance	15	7	2	3	8	8	1	1	43
Other manufacturing, and miscellaneous	26	34	35	39	80	83	78	85	460
Inflow of new capital	63	66	79	114	243	309	363	361	1,598
Return of capital	25	8	18	30	43	39	44	31	238
Net capital inflow for direct investment (Table 1, item D1)	38	58	61	84	200	270	319	330	1,360
Net other indentified capital movements affecting the investment of U.S. residents in U.S. — controlled enterprises	- 43	- 35	20	17	17	34	161	8	179
Net capital inflow	**- 5**	**23**	**81**	**101**	**217**	**304**	**480**	**338**	**1,539**
Retention of profits, and other factors including revaluations, reclassifications, and similar accounting adjustments	129	97	178	187	114	167	127[2]	158[3]	1,157[3]
Net increase in book value (Table VII)	**124**	**120**	**259**	**288**	**331**	**471**	**607**	**496[3]**	**2,696[3]**

1. Included with other capital movements.
2. This figure is affected by unusually large reclassifications between direct and portfolio investments.
3. Provisional estimate subject to revision.

Note. In addition to investment in new construction and new machinery and equipment included in gross domestic investment as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

Statistics of Canada's international investment position include as direct investment only those companies in which control is believed to actually rest with non-residents. In the reconciliation between the two sets of figures given in statement 12 an adjustment is included in the item covering "net other identified capital movements affecting the investment of U.S. residents in U.S.-controlled enterprises" to eliminate these special direct investment transactions. (The category also includes United States investment and disinvestment in Canada in controlled companies, taking such forms as portfolio security transactions and loans by unrelated interests.) Special inflows of the character discussed in this paragraph were of greater than usual significance in 1953 and were particularly large in the merchandising field.

The rate of direct investment inflows from the United States declined during the year 1953 but the existence of large and non-recurring transactions in the early quarters makes it difficult to judge whether the annual upward trend in evidence throughout the post-war period is coming to a close.

Inflows from the United Kingdom totalled $42 million in 1953, an increase of $26 million over 1952. In the seven years from 1946 to 1952 inclusive these transfers averaged only $13 million. The increasing flow of United Kingdom capital to Canada is undoubtedly a reflection of the current policy of the British authorities to facilitate United Kingdom participation in Canadian development, and to provide dollars, within the limits of their resources, for direct investment in productive enterprises which will benefit the United Kingdom balance of payments. Important British investment in 1953 took place in Canadian companies engaged in the manufacture of aircraft, electrical cables, chemicals, and other products, and in petroleum and financial enterprises.

Movements of investment capital from other overseas countries also increased significantly in 1953, amounting to $26 million, or more than double the total for 1952. All of this amount came from European countries and was invested for the most part in the petroleum industry and in financial enterprises.

In addition to the rise in direct investments in Canada from transfers of capital to Canada there was some growth in investments in Canada through the retention of earnings from existing investments. The growths of undistributed earnings accruing to international capital are not regarded as transactions in the construction of Canada's balance of payments statements and consequently are not included in data on capital movements.

Direct investment abroad

Net outflows of capital from Canada for direct investment abroad continued at a high level in 1953, totalling $56 million, but failed to equal the post-war record outflows of $77 million reported in 1952. Most of the decline occurred in capital exports to the United States, which were $16 million lower than in 1952, and to Latin America. Outflows of $15 million to other sterling area countries continued to be an important factor in the capital account with these countries, reflecting mainly expansion of alumina plant and facilities. As in previous years Canadian capital was invested in a variety of undertakings abroad including manufacturing, mining, petroleum, publishing and utilities.

Trade in outstanding Canadian securities

As in 1952 trade in outstanding Canadian securities between Canada and other countries in 1953 led on balance to an outflow of capital and, taking the year as a whole, the general pattern of trading was much the same. There continued to be net repurchases of Canadian government bonds from the United States offset in part by net sales of securities of Canadian corporations. Both these movements took place on a reduced scale and the capital export to the United States fell to $80 million in 1953. Residents of the United Kingdom and other overseas countries added to their holdings of both Canadian government and corporate securities. There was a striking increase in net sales to the United Kingdom which totalled $27 million, and net sales of $22 million to other countries were also higher than in the previous year.

Through the year there were indications that the mixed pattern of trading which developed in mid-1951 and continued through 1952 might be coming to an end. After the long period of heavy repatriation, repurchases of government bonds fell sharply in the first quarter of the year. In the second quarter, the trend towards balance was broken by a sudden wave of repatriation from the United States, but it was resumed in the third quarter, and a sales balance was recorded in the final quarter of the year. The balance of trading in Canadian stocks between Canada and other countries also shifted over the year and while relatively heavy net sales to non-residents occurred in the early part of the year, a declining trend was in evidence, and there was net repatriation from all countries in the final quarter.

Trading in outstanding Canadian securities between Canada and the United States resulted in a purchase balance of $80 million in 1953 compared with $104 million in 1952. The volume of transactions dropped by more than $200 million to about $625 million in 1953. The major contributor to the balance was net repurchases of Government of Canada direct and guaranteed issues aggregating $64 million, but such repatriation was some $90 million lower than in 1952 and was the smallest annual repurchase balance since the tremendous sales of 1950. The reflux of the large capital inflows of 1950 appeared to have mainly occurred before the end of 1952 by which time United States

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1953

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Issues	Proceeds of New Issues	Retirements
By Type of Security			
Bonds and Debentures:			
Government of Canada, direct	- 38	+ 6	- 80
Government of Canada, guaranteed	- 10	–	- 1
Provincial government (including guaranteed)	- 8	+143	- 27
Municipal government	- 3	+ 79	- 14
Railways, not guaranteed by Government	+ 1	–	- 5
Other corporations	+ 6	+ 67	- 8
Sub-total: Bonds and Debentures	**- 52**	**+295**	**- 135**
Common and Preference Stocks	+ 21	+ 47	- 7
Total (Table 1, items D3, 4, 5)	**- 31**	**+342**	**- 142**
By Country			
United States	- 80	+329	- 132
United Kingdom	+ 27	+ 7	- 7
Other OEEC Countries	+ 25	+ 3	- 1
Other Countries	- 3	+ 3	- 2
Total (Table 1, items D3, 4, 5)	**- 31**	**+342**	**- 142**
By Quarter			
First quarter	+ 10	+132	- 28
Second quarter	- 36	+ 60	- 88
Third quarter	- 4	+ 15	- 9
Fourth quarter	- 1	+135	- 17
Total (Table 1, items D3, 4, 5)	**- 31**	**+342**	**- 142**

holdings of Government of Canada direct issues had fallen from the year-end peak of about $1,000 million in 1950 to less than $750 million. The further repatriation which occurred in 1953 was heavily concentrated in the second quarter of the year when net repurchases exceed $47 million. This movement appears to have been mainly related to the striking changes which occurred at that time in the level of interest rates in the United States discussed earlier in this report. Net repurchases from United States residents of provincial and municipal bonds aggregated about $20 million in contrast to $30 million in 1952. But trading in Canadian corporation bonds which led to a sales balance of $15 million in 1952, resulted in a small repurchase balance in 1953. While most of the repurchases of Government of Canada bonds represented the reduction of international indebtedness payable in Canadian dollars only, trading in guaranteed, provincial and municipal issues included a substantial volume of bonds payable optionally or solely in foreign currencies.

In contrast to the inflow of $66 million recorded from trade in outstanding Canadian stocks with the United States in 1952, these transactions led to an inflow of only $6 million in 1953, as Canadians became net buyers over the last six months of the year.

The outstanding features in 1953 of trade in Canadian securities between Canada and the United States included the arresting in November of the long period of repatriation of Government of Canada direct and guaranteed debt. In each of the thirty-one months from April 1951 to October 1953, United States residents were, on balance, sellers of these bonds. Net Canadian repurchases in this period, heavily concentrated in the thirteen months ending October 1952 and in May and June 1953, totalled $339 million. These market transactions did not represent the full measure of repatriation as there were in addition important retirements. Also of significance was the changing attitude of United States investors to the stocks of Canadian corporations, resulting in net outflows of capital over the last half of the year, although this trend was reversed in the early months of 1954. Despite the outflow of capital as a result of international security trading in 1953, total United States portfolio investment in Canada is estimated to have risen over the year from $3,215 million to approximately $3,355 million through the excess of sales of new issues over retirements and through growths in book values.

A striking development in Canada's international security trading in 1953 was the emergence of a sales balance of $27 million with the United King-

dom. Although sales balances occurred in most months since mid-1952, transactions for that year as a whole led to a small purchase balance, and the net capital inflow from trade in outstanding securities with the United Kingdom in 1953 was the first recorded since 1937. Taking into account new issues, retirements, and official war-time repatriation, it is necessary to go back to 1934 to find a capital import from the United Kingdom on account of portfolio securities. In the intervening eighteen years there were capital outflows from Canada of the order of $1.4 billion from all security transactions including about $0.7 billion of official repatriation. The corresponding inflow of $27 million in 1953 was not large in relation either to the preceding outflows or to United Kingdom portfolio investments in Canada aggregating somewhat over $1.2 billion. It represents, however, a significant change from the period when, beset by problems of war finance and other currency difficulties, the United Kingdom's overseas investments underwent drastic liquidation despite the substantial war and post-war aid extended by the United States and Canada. In addition to the purchases in 1953 of $7 million of Canadian equity securities, included in the above totals, United Kingdom residents also transferred increased amounts of capital for participation in the canadian economy through direct-investment in British-controlled enterprises.

Among the background factors to security trading with the United Kingdom, was the conclusion of an agreement covering repayment of the Canadian interest-free loan of 1942 discussed later in this report. As a result of this agreement the authorities in the United Kingdom have withdrawn the restrictions previously imposed on the switching abroad of Canadian securities. The volume of trading in outstanding Canadian securities between Canada and the United Kingdom which had risen from less than $25 million in 1951 to over $40 million in 1952 rose to over $70 million in 1953.

An increase in gross repurchases of Canadian stocks from the United Kingdom might have been expected as a result of the relaxation of United Kingdom restrictions on switching. No significant increase is apparent in the trading statistics, but this is because a sharp decline occurred in the rate of liquidation of British holdings of a Canadian railway stock. Canadian repurchases of all other Canadian stocks more than doubled in 1953. Transactions in railway stock were themselves an important factor in the change in stock trading from a repurchase balance of nearly $6 million in 1952 to a sales balance of $7 million in 1953.

Trading with overseas countries other than the United Kingdom also led to a substantial sales balance of $22 million. This was an increase of $9 million over 1952 and, with the exception of 1951, was the highest level recorded in the Bureau's series. While net sales of Canadian stocks fell slightly from 1952, there was a marked increase in sales of Canadian bonds of all classes of debtors.

More extensive analysis of Canada's international security transactions will be found in the D.B.S. report on "Sales and Purchases of Securities between Canada and other countries, December 1953, and Review of Trade during 1953."

New issues and retirements of Canadian securities

The proceeds of new issues of Canadian securities sold to non-residents totalled $342 million in 1953, an increase of $26 million over the preceding year. Retirements which were dominated by a special transaction for Government account increased by $53 million, to total $142 million in 1953. As a result the net inflow from new issues and retirements of $200 million was some $27 million lower than in 1952.

About 30 per cent of the increase of $800 million in outstanding Canadian provincial, municipal and corporate funded debt in 1953 originated from net new issues to non-residents. Nearly half of the net provincial borrowings were from abroad, as were over a quarter of municipal needs. In the case of Canadian corporations, somewhat less than one-fifth of the net financing in the form of funded debt was provided by non-residents. Between 80 and 85 per cent of the bonds sold abroad were payable optionally or solely in foreign currencies.

Foreign participation in new issues of stock of Canadian corporations more than doubled in 1953 to establish a new annual record for the post-war period of $47 million.

Sales to non-residents of new Canadian issues were concentrated heavily in the first and last quarters of the year when a substantial volume of financing was done in the New York market. In the middle quarters of the year the volume of new Canadian issues in both domestic and foreign markets was very light. The rapid rise of long-term interest rates which occurred in the United States in the second quarter abruptly narrowed the spread between rates in the two countries. Towards the end of the third quarter United States bond prices rose, and the volume of issues placed by Canadian borrowers in the New York market rose in the final quarter of the year.

Retirements of non-resident owned Canadian securities aggregating $142 million were dominated by the repurchase for Government account of $75 million Canada 3/63 (external) loan negotiated in the second quarter. This transaction which coincided in timing with the heavy trading mentioned earlier, was financed directly by a reduction of Canada's official holdings of gold and foreign exchange.

Transactions in foreign securities

Canadians continued on balance to dispose of United States and other foreign securities through sales abroad during 1953 as they have each year

since 1948. The trading turnover, which exceeded $200 million, was about one-third greater than in 1952, and the net capital inflow rose from $12 million to $21 million. Sales were largely to the United States, and they were concentrated at the year-end when Canadians participated in new issues of United States non-government bonds.

Canadian purchases of foreign new issues, mainly bonds, totalling $23 million were $3 million higher than in 1952. Purchases of United States bonds accounted for $18 million of the total and issues of overseas countries for the balance. In contrast, the foreign new issues in which Canadians participated in 1952 were to a greater extent related to the financing of foreign corporations having interests in Canada or to the Canadian dollar financing of the International Bank for Reconstruction and Development.

Loans by Government of Canada

Loans to overseas governments produced a larger net credit in Canada's international accounts in 1953 than in any earlier year. Receipts totalled $87 million, including repayments from the United Kingdom of $14 million on the loan of 1946 and $50 million on the interest free loan of 1942. The total compared with $56 million in 1952 when United Kingdom repayments amounted to $37 million.

During the year, an agreement was reached between the Governments of the United Kingdom and of Canada providing for the final settlement of the Canadian interest-free loan of 1942. This loan, originally in the amount of $700 million, was to be reduced by crediting against it dollars accruing to the United Kingdom from sales to non-residents of Canadian securities (payable in Canadian dollars) held by residents of the United Kingdom, together with proceeds of redemption of any Canadian securities. Subsequently, it was agreed that certain new direct investments in Canada and the financing of an order for Canadian aircraft by United Kingdom residents could be offset against the amounts accruing for current payment. As a result of the new agreement signed in August which provided for an immediate payment reducing the amount outstanding to $150 million and for amortization of the balance over the next five years, the United Kingdom is released from these repayment provisions, and the authorities there have withdrawn the special restrictions imposed on the switching abroad of Canadian securities. The overall effect of the new arrangements is to eliminate the generally self-balancing nature of the loan repayments, the security transactions, and the direct investment in Canada falling within the understanding. Consequently, as a general rule the switching in Canada or elsewhere abroad of United Kingdom holdings of Canadian securities does not now directly affect that country's position, but reductions of these holdings augment its exchange resources, while repayments on the loan and transfers for direct investment in Canada represent a charge upon them.

Repayments from foreign governments have reduced Canada's outstanding loans from $2,000 million at the end of 1949 to $1,778 million in 1953. The loans to the United Kingdom included in these totals have fallen from $1,434 million to $1,292 million in the same period. Of the total amount outstanding at the end of 1953, about 5 per cent represents loans on which payments are not currently being made. These loans, amounting to some $90 million, include nearly $31 million outstanding since shortly after World War I.

Change in Canadian dollar holdings of foreigners

Non-residents reduced their holdings of Canadian dollars (bank and other deposits, and treasury bills) by $17 million in 1953. Most of this reduction was by sterling area depositors. Over the first and second quarters there were net imports of capital as non-residents increased their holdings of Canadian dollars by $45 million and $20 million respectively, but the third and fourth quarters saw reductions of $71 million and $11 million. These changes reflect in part the accumulation and the use in subsequent quarters of balances acquired in anticipation of specific transactions. By the end of 1953, non-resident holdings of Canadian dollars had been reduced from the peak of over $600 million reached in September 1950 to about $320 million.

Change in official holdings of gold and foreign exchange

Official holdings of gold and United States dollars declined moderately over 1953, resulting in capital inflows from the United States of $42 million. There were capital outflows of $4 million to the United Kingdom financing a modest increase of holdings of sterling in official accounts. During the first and second quarters of the year, reductions of official holdings of gold and foreign exchange represented capital imports of $16 million and $91 million respectively. In the second quarter the repurchase for Government account of $75 million Canada 3/63 (external) loan was financed with United States funds acquired from the Exchange Fund. In the third and fourth quarters of the year official holdings were increased representing net capital exports of $35 million and $34 million respectively. Holdings of gold and United States dollars, shown in Table IV in terms of United States funds, declined from $1,860.2 million at the end of 1952 to $1,818.5 million at the end of 1953. This drop was less than the amount of the special repatriation transaction mentioned above. Month-end levels during 1953 varied between $1,866.8 million in January—the highest ever recorded—and $1,750.1 million in June. Within this range the holdings fluctuated, with no more than three consecutive monthly increases or decreases. It appeared to be the continuing policy of the exchange authorities to allow the exchange rate to be determined by the normal play of economic forces without official intervention, except to ensure orderly conditions in the foreign exchange market.

Other capital movements

The major change from 1952 to 1953 in the capital account of the balance of payments was in "Other capital movements" which resulted in a net outflow of $179 million in contrast to the spectacular outflow of over $500 million in 1952. Although an inflow occurred in the second quarter following seven successive quarters of capital export, outflows re-appeared in the latter part of the year. These outflows followed a period of substantial inflows in 1950 and the first half of 1951.

This category of capital movements covers a wide variety of transactions including changes in loans and advances outstanding, in intercompany accounts and accounts receivable and payable, and in private, commercial and banking balances and short-term investments abroad. It includes the net change in short-term holdings of Canadian funds by the International Bank for Reconstruction and Development and the International Monetary Fund, and also the residual item of the balance of payments representing the amount by which estimates of the current account balance differed from recorded capital movements.

Sufficient detail is not yet available for a detailed analysis of the components of other capital movements in 1953. The long-term loans, advances, and other long-term capital movements which are included reflected net inflows of $10 million in contrast to net outflows of $2 million in 1952. But the outflow through the reduction of short-term holdings of Canadian funds by the IBRD and IMF rose from $1 million in 1952 to $18 million in 1953. Preliminary data indicate that the balancing item is likely to be much smaller in 1953 than in the previous year.

Canada's International Investment Position

This report contains an extended series of tables presenting statistics of Canada's international investment position. This material is included to assist in evaluating the effects of recent capital movements between Canada and other countries as shown in the annual statements of the balance of payments. The balance of indebtedness shown in statement 14 includes all of Canada's long-term investments and short-term assets and liabilities except those of a commercial character. Detail of the components and of the geographic distribution will be found in Tables III to X.

During 1953, Canada's net international indebtedness is estimated to have reached $5.7 billion. This balance has grown by $2.0 billion since 1949, it now exceeds by $0.2 billion the indebtedness outstanding at the beginning of the war, although it is still some $0.8 billion below our net liability at the end of 1930. In the light of the great development in Canada's productive capacity in recent years and of increases which have occurred in price levels the burden of this net liability must, however, be regarded as relatively much lighter than in the pre-war period.

More important changes have occurred in Canada's international assets and liabilities than are indicated in the movement of the totals. In the period of 27 years covered by official estimates, foreign direct investment in Canada has risen by $4.0 billion, investment in government and municipal bonds by $0.7 billion, and other long-term investments by $0.5 billion. On the long-term asset side, Canadian direct investment abroad has risen by $1.0 billion, portfolio investment by $0.3 billion, and government loans and advances to foreign governments by $1.8 billion. Among important changes in short-term assets has been the establishment by Canada of $1.8 billion official holdings of gold and foreign exchange. To a considerable extent, therefore, the growth of Canada's assets abroad has been government-owned, while the growth in our liabilities has represented private investment largely of an equity character.

Since the first World War, the United States has been Canada's principal source of external capital. During the early part of World War II, the

STATEMENT 14. Summary of Canada's Balance of International Indebtedness, Selected Year Ends

(Billions of dollars)

Item	1926	1930	1939	1945	1949	1950	1951	1952	1953
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	9.9	10.6	11.4	12.3
Gross external assets	1.3	1.5	1.9	3.8	5.2	5.9	6.0	6.5	6.6
Net Indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**4.0**	**4.6**	**4.9**	**5.7**

United Kingdom found itself obliged to draw heavily upon its resources abroad, and as a consequence Canada's net liability to that country was reduced from $2.5 billion in 1939 to $1.1 billion in 1945. Largely as a result of the post-war loan by Canada, this balance was further reduced to $0.2 billion by 1949 but it has since risen to $0.6 billion. While net British investment in Canada was reduced by $2.0 billion, net United States investment increased from $2.8 billion in 1926 to $7.3 billion in 1953 (exclusive of official gold and foreign exchange holdings).

Although the international transactions shown in Canada's balance of payments are by far the most important factor causing changes in Canada's international investment position, other factors are also at work. In 1953 Canada's net international indebtedness is tentatively estimated to have risen by $0.8 billion, although Canada's net import of capital as shown in the balance of payments statements was less than $0.5 billion. The latter statements do not, however, show growths in undistributed earnings which on balance added to the indebtedness. On the other hand, estimates of Canada's net indebtedness do not include short-term commercial assets and liabilities in which a net export of capital occurred in 1953. These factors taken together probably accounted for most of the difference. Timing differences (investment data are compiled by corporate financial year while the balance of payments covers calendar periods) and the introduction of new series for some data may also have been important.

Canada has attracted a greater amount of foreign private investment capital than any other country. The early stages of Canadian development, particularly in transportation facilities, rested almost entirely on foreign capital, and private estimates place the total non-resident investment in Canada at the turn of the century in excess of $1.2 billion. Canada's gross liabilities to other countries had risen to $8.0 billion by the end of 1930, and although they declined in the next decade they have grown since with the expansion of the Canadian economy to a total of $12.3 billion.

These increases might be assumed to demonstrate that in the post-war expansion Canada has become increasingly dependent on foreign capital. This conclusion would be misleading. Savings generated in the Canadian economy have been sufficient in most of the post-war period to finance Canadian expansion. Some of these savings have however been used to finance Canadian investment in a variety of forms abroad while, as is well known, foreign capital has flowed to Canada particularly for investment in the manufacturing, mining, and petroleum industries.

The importance of foreign capital to Canada cannot be determined, however, from the existence of relatively small net capital imports or exports. The elimination of some forms of outward capital movement, had this been possible, would not have ensured that the enterprises and industries importing foreign capital would have been able to substitute Canadian financing. The foreign capital which has come into Canada in the post-war years has done so largely because the initiative came from abroad or because of a relative shortage of particular types of financial capital in Canada.

The relative decline of Canada's reliance on foreign capital markets is shown strikingly by the changes since the inter-war period in the international distribution of funded debt of Canadian governments and corporations (statement 15). In 1953 non-residents owned less than 15% of this funded debt, in contrast to more than one-third before the war In the period from 1937 to 1953 the amount of Canadian funded debt outstanding increased by over $14 billion nearly 99% of this

STATEMENT 15. Changes in Ownership of the Funded Debt of Canadian Governments and Corporations, 1936-1953

Debtor	Percentage held by non-residents		Percentage change in total outstanding 1937-1953	Percentage of total change 1937-1953 due to changes in holdings of	
	1936	1953		non-residents	residents
Dominion direct and guaranteed, excluding railways	24	5	+ 344	—	100
Provincial direct and guaranteed, excluding railways	28	30	+ 70	32	68
Municipal	25	24	+ 13	22	78
Sub-total Government bonds	**25**	**10**	**+ 197**	**3**	**97**
Steam railways	63	55	- 38	78	22
Other corporations	39	29	+ 113	18	82
Total bonds and debentures	**34**	**15**	**+ 141**	**1**	**99**

STATEMENT 16. Estimated Distribution of Ownership of Funded Debt of Canadian Governments and Corporations, End of 1953

(Millions of dollars)

Debtor	Amounts Outstanding	Distribution of Ownership			
		Canada	United States	United Kingdom	Other Countries
Dominion direct and guaranteed, excluding railways	15,169	14,425	608	79	57
Provincial direct and guaranteed, excluding railways	3,142	2,213	879	42	8
Municipal	1,656	1,251	368	35	2
Sub-total Government bonds	**19,967**	**17,889**	**1,855**	**156**	**67**
Percentage distribution	**100.0%**	**89.59%**	**9.29%**	**0.78%**	**0.34%**
Steam railways	1,150	522	287	307	34
Other corporations	3,395	2,447	788	129	31
Total bonds and debentures	**24,512**	**20,858**	**2,930**	**592**	**132**
Percentage distribution	**100.0%**	**85.09%**	**11.95%**	**2.42%**	**0.54%**

was reflected in increased Canadian holdings. The total outstanding increased by about 140% but non-resident holdings increased by only 5% while Canadian holdings more than tripled. A major part of these changes reflected, however, Canada's war-time financing. The funded debt of corporations other than railroads (excluded because of official repatriation from the United Kingdom) somewhat more than doubled from 1937 to 1953; non-residents' holdings increased by over 50% while Canadian holdings increased by 150%. Estimates of the distribution of ownership of funded debt at the end of 1953 will be found in statement 16.

Institutions, particularly United States life insurance companies, are the major non-resident holders of Canadian bonds and debentures. At the end of 1952, United States life insurance companies are estimated to have owned 42% of all the Canadian funded debt held in the United States. These institutions were important purchasers of new issues of Canadian securities placed in the New York market, as will be evident from statement 17. Aside from holdings of subsidiaries' debt by parent companies, other portfolio holdings by United States holders were reduced during 1952, while these institutions acquired an additional $92 million of Canadian securities. These shifts, and the increasing proportion of foreign held debt which is payable in foreign currency, have probably been characteristic of the post-war period taken as a whole.

Non-resident capital is concentrated in certain types of Canadian industry, particularly mining and manufacturing. As will be seen from statement 18, foreign ownership covers slightly less than one-third of the broad field of selected industry and commerce shown. This share dropped from 38% in 1939 to 33% in 1948. Despite the tremendous inflows of foreign long-term capital into Canadian enterprises since that time, Canadian capital has maintained its proportion of the total. There are vast areas of Canadian investment not covered in

STATEMENT 17. Change in United States Holdings of Canadian Bonds and Debentures, 1952

(Millions of dollars)

Debtor	Life insurance companies	Other holders	All United States residents
Dominion direct and guaranteed	- 97	- 81	- 178
Provincial direct and guaranteed	+ 41	+ 9	+ 50
Municipal	+ 51	- 23	+ 28
Corporations	+ 97	+ 100	+ 197
Total	**+ 92**	**+ 5**	**+ 97**

It should be noted that Canadian bonds and debentures held in the United States include that portion of direct investment by parent companies which takes this nominal form. Issues by subsidiaries to parent companies accounted for a significant part of the increase in "other" holdings of corporate bonds. Portfolio holdings of Canadian bonds and debentures by other than U.S. life insurance companies consequently fell considerably in 1952.

statement 18, in such forms as farm property, residential real estate, federal, provincial and municipal assets (other than manufacturing, mining, railways, power and communications), as well as Canadian investments abroad. If a satisfactory valuation could be placed on these assets held mainly in the non-corporate sector of the economy and owned predominantly by Canadians, it would be found that the Canadian-owned proportion of total Canadian wealth would be substantially higher than the 68% shown for the selected industries in statement 18.

Extensive comment on the nature of foreign investments in Canada and Canadian investments abroad was included in "The Canadian Balance of International Payments in the Post-War Years, 1946-1952" and is not repeated in this report.

In view, however, of particular interest in the subject a tentative valuation of United States long-term investment in Canada to the end of 1953 is given in statement 19.

Because of the prominent place of foreign investment in the petroleum industry in Canada, estimates at the end of 1945 and of 1952 are shown in statement 20. These data cannot be derived directly from the tables because of different classification of the companies. Aside from the tremendous growths of foreign investment in the petroleum industry as a whole amounting to $764 million in the seven years from 1946 to 1952, it is interesting to note that the total increase of $1,700 million recorded for the manufacturing sector may be divided into $327 million for the petroleum industry and $1,373 million for all other manufacturing companies.

STATEMENT 18. Non-Resident Ownership as a Percentage of Selected Canadian Industries, End of 1939, 1948, and 1951[1]

Industry	Percentage of total owned by					
	All non-residents			United States Residents		
	1939	1948	1951	1939	1948	1951
Manufacturing[2]	42	42	43	34	36	36
Mining, smelting and petroleum exploration and development[2]	40	42	59	31	35	52
Steam railways	57	43	39	18	21	18
Other utilities	27	21	20	20	17	17
Total of above industries and merchandising	**38**	**33**	**32**	**22**	**24**	**24**

1. Post-war data have been re-calculated and are not strictly comparable with figures published in earlier reports.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in manufacturing.

STATEMENT 19. Value of United States Investments in Canada, End of 1945, 1949-1953
(Millions of dollars)

Classification	1945	1949	1950	1951	1952	1953[1]
Direct investment	2,304	3,095	3,426	3,897	4,504	5,000
Government and municipal bonds	1,450	1,534	1,746	1,898	1,826	1,855
Other portfolio investments	1,106	1,106	1,186	1,269	1,389	1,500
Miscellaneous assets	130	170	190	195	257	245
Total book value	**4,990**	**5,905**	**6,548**	**7,259**	**7,976**	**8,600**

1. Provisional estimate subject to revision.

STATEMENT 20. Book Value of Foreign Investment in the Petroleum Industry in Canada, End of 1945 and 1952
(Millions of dollars)

Investment in	Classification in investment records (Tables VI to VIII)	Year End	Non-resident Total	United States		
				Total	Direct	Portfolio
Exploration and development companies	Mining and smelting	1945	6	5	4	1
		1952	351	344	318	26
Refining companies	Manufacturing (non-metallic minerals)	1945	114	106	100	6
		1952	441	429	404	25
Mercnandising companies	Merchandising	1945	6[2]	6	6	—
		1952	12	10	10	—
Transportation companies	Public utilities (other)	1945	1	1	1	—
		1952	86	85	85	—
All Petroleum		1945	**126**	**117**	**110**	**7**
		1952	**890**	**868**	**817**	**51**

Notes: For the purposes of this table Newfoundland was included with Canada in 1945.
Investments in Canadian companies are classified in the investment records according to principal activities in Canada. Investments in exploration and development of petroleum by companies engaged in refining and production of petroleum products are therefore included in the Manufacturing (non-metallic minerals) group.

1. Investment included with refining companies.
2. Investment of countries other than the United States included with refining companies.

TABLE 1. Current and Capital Account of the Canadian Balance of International Payments
Revised Estimates for 1952 and Preliminary Estimates for 1953

(Millions of dollars)

No.	Account	All Countries		United States		United Kingdom		Other Sterling Area		Other OEEC Countries		All Other Countries	
		1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953
a	**Current Receipts:**												
1	Merchandise exports (adjusted)	4,339	4,152	2,346	2,458	727	656	293	251	473	371	500	416
2	Mutual Aid to NATO Countries	200	246	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	150	144	150	144	—	—	—	—	—	—	—	—
4	Travel expenditures	275	302	257	282	10	12	3	3	4	4	1	1
5	Interest and dividends	145	164	85	99	29	31	7	12	13	12	11	10
6	Freight and shipping	383	337	174	164	105	87	20	20	43	36	41	30
7	Inheritances and immigrants' funds	85	92	38	41	20	19	3	4	20	22	4	6
11	All other current receipts	281	321	224	255	34	37	5	6	9	10	9	13
12	**Total Current Receipts**	**5,858**	**5,758**	**3,274**	**3,443**	**925**	**842**	**331**	**296**	**562**	**455**	**566**	**476**
b	**Current Payments:**												
1	Merchandise imports (adjusted)	3,850	4,209	2,817	3,046	350	462	185	172	149	173	349	356
4	Travel expenditures	341	365	294	307	27	31	5	6	13	18	2	3
5	Interest and dividends	413	410	344	341	56	55	—	—	11	12	2	2
6	Freight and shipping	375	382	302	301	42	45	5	6	19	23	7	7
7	Inheritances and emigrants' funds	94	91	77	74	12	12	1	1	3	3	1	1
9	Official contributions	16	24	—	—	—	—	15	18	1	1	—	5
10	Mutual Aid to NATO Countries	200	246	—	—	—	—	—	—	—	—	—	—
11	All other current payments	405	470	289	298	50	95	6	6	34	46	26	25
12	**Total Current Payments**	**5,694**	**6,197**	**4,123**	**4,367**	**537**	**700**	**217**	**209**	**230**	**276**	**387**	**399**
	Balance on Merchandise Trade	+ 489	- 57	- 471	- 588	+ 377	+ 194	+ 108	+ 79	+ 324	+ 198	+ 151	+ 60
	Balance on Other Transactions, excluding B9	- 309	- 358	- 378	- 336	+ 11	- 52	+ 21	+ 26	+ 9	- 18	+ 28	+ 22
	Official contributions	- 16	- 24	—	—	—	—	- 15	- 18	- 1	- 1	—	- 5
	Current Account Balance	+ **164**	- **439**	- **849**	- **924**	+ **388**	+ **142**	+ **114**	+ **87**	+ **332**	+ **179**	+ **179**	+ **77**
c	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 346	+ 398	+ 319	+ 330	+ 16	+ 42	- 1	—	+ 10	+ 26	+ 2	—
2	Direct investment abroad	- 77	- 56	- 42	- 26	- 2	- 8	- 17	- 15	- 2	- 1	- 14	- 6
	Canadian Securities:												
3	Trade in outstanding issues	- 94	- 31	- 104	- 80	- 3	+ 27	—	—	+ 9	+ 25	+ 4	- 3
4	New issues	+ 316	+ 342	+ 315	+ 329	+ 1	+ 7	—	—	—	+ 3	—	+ 3
5	Retirements	- 89	- 142	- 75	- 132	- 9	- 7	—	—	- 5	- 1	—	- 2
	Foreign Securities:												
6	Trade in outstanding issues	+ 12	+ 21	+ 9	+ 20	+ 3	+ 2	—	—	—	- 1	—	—
7	New issues	- 20	- 23	- 5	- 18	—	—	—	—	—	—	- 15	- 5
8	Retirements	—	+ 1	—	+ 1	—	—	—	—	—	—	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 33	+ 37	—	—	+ 14	+ 14	—	—	+ 16	+ 18	+ 3	+ 5
11	Repayment of war loans	+ 23	+ 50	—	—	+ 23	+ 50	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	- 66	- 17	- 37	- 1	- 13	- 12	- 9	- 4	- 5	+ 4	- 2	- 4
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	- 37	+ 38	- 80	+ 42	+ 43	- 4	—	—	—	—	—	—
17	Other capital movements	- 511	- 179	- 458	- 165	- 63	+ 6	+ 1	- 1	+ 23	- 2	- 14	- 17
	Net Capital Movement	- 164	+ 439	- 158	+ 300	+ 10	+ 117	- 26	- 20	+ 46	+ 71	- 36	- 29
	Balance Settled by Exchange Transfers	—	—	+1,007	+ 624	- 398	- 259	- 88	- 67	- 378	- 250	- 143	- 48
	Total Financing of Current Account Balance (item C)	- **164**	+ **439**	+ **849**	+ **924**	- **388**	- **142**	- **114**	- **87**	- **332**	- **179**	- **179**	- **77**

Notes:

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other OEEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area; namely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey, and their overseas territories. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IMF and IBRD, and all other countries not specified above.

2,B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1951				1952				1953			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	815	952	1,044	1,139	1,010	1,124	1,049	1,156	918	1,113	1,077	1,044
3	Gold production available for export	37	43	35	35	41	35	37	37	48	37	30	29
4	Travel expenditures	23	51	157	43	24	53	156	42	26	57	172	47
5	Interest and dividends	16	25	19	55	17	32	23	73	26	32	24	82
6	Freight and shipping	68	81	96	106	84	98	98	103	71	92	86	88
7	Inheritances and immigrants' funds	14	19	22	22	17	27	22	19	16	27	26	23
11	All other current receipts	65	57	65	62	58	67	67	89	69	73	95	84
12	**Total Current Receipts**	**1,038**	**1,228**	**1,438**	**1,462**	**1,251**	**1,436**	**1,452**	**1,519**	**1,174**	**1,431**	**1,510**	**1,397**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	946	1,193	1,082	876	890	985	937	1,038	1,002	1,161	1,052	994
4	Travel expenditures	54	74	96	56	63	97	110	71	68	95	124	78
5	Interest and dividends	100	96	91	163	82	88	95	148	86	102	81	141
6	Freight and shipping	59	93	102	100	65	98	105	107	70	108	110	94
7	Inheritances and emigrants' funds	15	17	19	19	21	24	24	25	21	22	25	23
9	Official contributions	1	5	—	3	11	—	—	5	10	9	3	2
11	All other current payments	99	102	113	109	91	100	106	108	101	125	128	116
12	**Total Current Payments**	**1,274**	**1,580**	**1,503**	**1,326**	**1,223**	**1,392**	**1,377**	**1,502**	**1,358**	**1,622**	**1,523**	**1,448**
	Balance on Merchandise Trade	- 131	- 241	- 38	+ 263	+ 120	+ 139	+ 112	+ 118	- 84	- 48	+ 25	+ 50
	Balance on Other Transactions, Excluding B9	- 104	- 106	- 27	- 124	- 81	- 95	- 37	- 96	- 90	- 134	- 35	- 99
	Official Contributions	- 1	- 5	—	- 3	- 11	—	—	- 5	- 10	- 9	- 3	- 2
C	**Current Account Balance**	**- 236**	**- 352**	**- 65**	**+ 136**	**+ 28**	**+ 44**	**+ 75**	**+ 17**	**- 184**	**- 191**	**- 13**	**- 51**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 46	+ 75	+ 53	+ 135	+ 71	+ 78	+ 106	+ 91	+ 103	+ 90	+ 97	+ 108
2	Direct investment abroad	- 3	- 4	- 4	- 9	- 9	- 21	- 19	- 28	- 8	- 10	- 10	- 28
	Canadian Securities:												
3	Trade in outstanding issues	+ 63	+ 1	+ 11	- 37	—	- 19	- 51	- 24	+ 10	- 36	- 4	- 1
4	New issues	+ 26	+ 155	+ 76	+ 154	+ 88	+ 159	+ 23	+ 46	+ 132	+ 60	+ 15	+ 135
5	Retirements	- 25	- 37	- 67	- 55	- 12	- 41	- 7	- 29	- 28	- 88	- 9	- 17
	Foreign Securities:												
6	Trade in outstanding issues	+ 1	+ 5	+ 5	+ 4	+ 6	+ 3	+ 3	—	+ 2	+ 3	+ 1	+ 15
7	New issues	—	- 1	- 1	- 1	- 19	- 1	—	—	- 1	- 2	- 1	- 19
8	Retirements	+ 1	—	+ 1	+ 1	—	—	—	—	+ 1	—	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	+ 7	—	+ 27	—	+ 9	—	+ 24	+ 2	+ 11	—	+ 24
11	Repayment of war loans	+ 5	+ 14	+ 8	+ 7	+ 2	+ 6	+ 8	+ 7	+ 4	+ 7	+ 39	—
14	Change in Canadian dollar holdings of foreigners	- 20	- 13	- 77	- 82	- 4	+ 4	+ 2	- 68	+ 45	+ 20	- 71	- 11
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 110	- 45	+ 64	- 185	+ 24	- 32	- 25	- 4	+ 16	+ 91	- 35	- 34
17	Other capital movements	+ 32	+ 195	- 4	- 95	- 175	- 189	- 115	- 32	- 94	+ 45	- 9	- 121
E	**Net Capital Movement**	**+ 236**	**+ 352**	**+ 65**	**- 136**	**- 28**	**- 44**	**- 75**	**- 17**	**+ 184**	**+ 191**	**+ 13**	**+ 51**

TABLE II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953
(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1951				1952				1953			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
	Current Receipts:												
1	Merchandise exports (adjusted)	538	588	583	617	555	575	562	654	590	629	612	627
3	Gold production available for export	37	43	35	35	41	35	37	37	48	37	30	29
4	Travel expenditures	21	47	151	39	22	49	149	37	24	52	165	41
5	Interest and dividends	11	11	14	21	13	18	19	35	21	15	18	45
6	Freight and shipping	35	41	43	45	38	44	45	47	37	44	42	41
7	Inheritances and immigrants' funds	7	8	9	8	7	11	11	9	8	11	11	11
11	All other current receipts	51	43	50	47	45	52	53	74	51	58	78	68
12	**Total Current Receipts**	**700**	**781**	**885**	**812**	**721**	**784**	**876**	**893**	**779**	**846**	**956**	**862**
	Current Payments:												
1	Merchandise imports (adjusted)	787	827	723	605	673	720	663	761	759	841	742	704
4	Travel expenditures	48	64	85	49	56	84	95	59	60	79	105	63
5	Interest and dividends	79	83	74	146	62	74	77	131	68	88	62	123
6	Freight and shipping	43	74	82	77	50	79	86	87	55	87	86	73
7	Inheritances and emigrants' funds	12	13	15	15	18	19	20	20	18	18	19	19
11	All other current payments	76	79	88	85	64	72	76	77	67	75	77	79
12	**Total Current Payments**	**945**	**1,140**	**1,067**	**977**	**923**	**1,048**	**1,017**	**1,135**	**1,027**	**1,188**	**1,091**	**1,061**
	Current Account Balance	**- 245**	**- 359**	**- 182**	**- 165**	**- 202**	**- 264**	**- 141**	**- 242**	**- 248**	**- 342**	**- 135**	**- 199**
	Capital Account:												
	Direct Investment:												
1	Direct investment in Canada	+ 33	+ 68	+ 45	+ 124	+ 65	+ 73	+ 100	+ 81	+ 92	+ 81	+ 81	+ 76
2	Direct investment abroad	- 1	—	- 1	- 2	- 3	- 8	- 9	- 22	- 1	- 1	- 4	- 20
	Canadian Securities:												
3	Trade in outstanding issues	+ 58	- 6	+ 9	- 41	- 1	- 18	- 56	- 29	+ 2	- 49	- 13	- 20
4	New issues	+ 26	+ 155	+ 76	+ 147	+ 88	+ 159	+ 23	+ 45	+ 129	+ 58	+ 13	+ 129
5	Retirements	- 16	- 29	- 64	- 50	- 8	- 39	- 5	- 23	- 24	- 87	- 6	- 15
	Foreign Securities:												
6	Trade in outstanding issues	+ 1	+ 8	+ 5	+ 4	+ 6	+ 2	+ 2	- 1	+ 1	+ 3	+ 1	+ 15
7	New issues	—	- 1	- 1	- 1	- 4	- 1	—	—	—	- 1	—	- 17
8	Retirements	+ 1	—	+ 1	—	—	—	—	—	+ 1	—	—	—
14	Change in Canadian dollar holdings of foreigners	- 25	- 19	- 6	- 3	- 11	+ 13	- 12	- 27	+ 14	+ 10	- 15	- 10
16	Change in official holdings of gold and U.S. dollars (increase, minus).	+ 92	- 31	+ 77	- 177	- 9	- 40	- 27	- 4	+ 15	+ 94	- 37	- 30
17	Other capital movements	+ 48	+ 178	- 43	- 124	- 158	- 180	- 102	- 18	- 90	+ 47	- 16	- 106
	Net Capital Movement	**+ 217**	**+ 323**	**+ 98**	**- 123**	**- 35**	**- 39**	**- 86**	**+ 2**	**+ 139**	**+ 155**	**+ 4**	**+ 2**
	Balance Settled by Exchange Transfers	**+ 28**	**+ 36**	**+ 84**	**+ 288**	**+ 237**	**+ 303**	**+ 227**	**+ 240**	**+ 109**	**+ 187**	**+ 131**	**+ 197**
	Total Financing of Current Account Balance (item C)	**+ 245**	**+ 359**	**+ 182**	**+ 165**	**+ 202**	**+ 264**	**+ 141**	**+ 242**	**+ 248**	**+ 342**	**+ 135**	**+ 199**

TABLE II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953
(Millions of dollars)

No.	Account	1951 I	1951 II	1951 III	1951 IV	1952 I	1952 II	1952 III	1952 IV	1953 I	1953 II	1953 III	1953 IV
	C. BETWEEN CANADA AND THE UNITED KINGDOM												
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	112	147	189	188	158	246	169	154	119	191	194	152
4	Travel expenditures	1	2	3	2	1	2	4	3	1	3	4	4
5	Interest and dividends	2	1	2	25	2	1	2	24	2	1	2	26
6	Freight and shipping	16	19	26	30	23	30	27	25	16	24	24	23
7	Inheritances and immigrants' funds	3	3	4	4	4	7	4	5	4	6	5	4
11	All other current receipts	11	10	10	11	8	9	8	9	12	8	8	9
12	**Total current receipts**	**145**	**182**	**234**	**260**	**196**	**295**	**214**	**220**	**154**	**233**	**237**	**218**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	90	133	110	84	66	91	95	98	103	136	116	107
4	Travel expenditures	3	7	6	4	3	8	8	8	3	10	10	8
5	Interest and dividends	18	11	14	14	17	11	15	13	15	11	15	14
6	Freight and shipping	10	11	10	12	9	12	11	10	9	12	13	11
7	Inheritances and emigrants' funds	2	3	3	2	2	4	3	3	2	3	4	3
11	All other current payments	14	13	12	12	13	12	12	13	20	29	31	15
12	**Total current payments**	**137**	**178**	**155**	**128**	**110**	**138**	**144**	**145**	**152**	**201**	**189**	**158**
C	**Current Account Balance**	**+ 8**	**+ 4**	**- 79**	**+132**	**+ 86**	**+157**	**+ 70**	**+ 75**	**+ 2**	**+ 32**	**+ 48**	**+ 60**
	D. BETWEEN CANADA AND THE REST OF THE STERLING AREA												
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	55	60	68	82	88	78	64	63	60	74	66	51
4	Travel expenditures	—	1	1	1	—	1	1	1	—	1	1	1
5	Interest and dividends	1	1	2	—	1	1	1	4	2	2	3	5
6	Freight and shipping	6	5	6	6	6	5	4	5	5	5	5	5
7	Inheritances and immigrants' funds	—	1	1	1	—	1	1	1	1	1	1	1
11	All other current receipts	—	1	1	1	1	1	2	1	2	1	2	1
12	**Total current receipts**	**62**	**69**	**79**	**91**	**96**	**87**	**73**	**75**	**70**	**84**	**78**	**64**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	62	87	107	54	42	50	50	43	28	48	49	47
4	Travel expenditures	2	1	1	1	2	1	1	1	3	1	1	1
5	Interest and dividends	—	—	—	—	—	—	—	—	—	—	—	—
6	Freight and shipping	1	1	2	1	1	1	1	2	1	1	2	2
7	Inheritances and emigrants' funds	—	—	—	1	—	—	—	1	—	—	1	—
9	Official contributions	—	—	—	—	10	—	—	5	6	9	2	1
11	All other current payments	1	1	1	1	2	1	1	2	1	2	2	1
12	**Total current payments**	**66**	**90**	**111**	**58**	**57**	**53**	**53**	**54**	**39**	**61**	**57**	**52**
C	**Current Account Balance**	**- 4**	**- 21**	**- 32**	**+ 33**	**+ 39**	**+ 34**	**+ 20**	**+ 21**	**+ 31**	**+ 23**	**+ 21**	**+ 12**

TABLE II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1951 I	1951 II	1951 III	1951 IV	1952 I	1952 II	1952 III	1952 IV	1953 I	1953 II	1953 III	1953 IV
	Current Receipts:												
1	Merchandise exports (adjusted)	167	207	257	270	246	324	233	217	179	265	260	203
4	Travel expenditures	1	3	4	3	1	3	5	4	1	4	5	5
5	Interest and dividends	3	2	4	25	3	2	3	28	4	3	5	31
6	Freight and shipping	22	24	32	36	29	35	31	30	21	29	29	28
7	Inheritances and immigrants' funds	3	4	5	5	4	8	5	6	5	7	6	5
11	All other current receipts	11	11	11	12	9	10	10	10	14	9	10	10
12	**Total Current Receipts**	**207**	**251**	**313**	**351**	**292**	**382**	**287**	**295**	**224**	**317**	**315**	**282**
	Current Payments:												
1	Merchandise imports (adjusted)	152	220	217	138	108	141	145	141	131	184	165	154
4	Travel expenditures	5	8	7	5	5	9	9	9	6	11	11	9
5	Interest and dividends	18	11	14	14	17	11	15	13	15	11	15	14
6	Freight and shipping	11	12	12	13	10	13	12	12	10	13	15	13
7	Inheritances and emigrants' funds	2	3	3	3	2	4	3	4	2	3	5	3
9	Official contributions	—	—	—	—	10	—	—	5	26	38	33	16
11	All other current payments	15	14	13	13	15	13	13	15	1	2	2	1
12	**Total Current Payments**	**203**	**268**	**266**	**186**	**167**	**191**	**197**	**199**	**191**	**262**	**246**	**210**
	Current Account Balance	+ 4	- 17	+ 47	+ 165	+ 125	+ 191	+ 90	+ 96	+ 33	+ 55	+ 69	+ 72
	Capital Account:												
	Direct Investment:												
1	Direct investment in Canada	+ 9	+ 6	+ 6	+ 9	+ 3	+ 3	+ 3	+ 6	+ 10	+ 7	+ 15	+ 10
2	Direct investment abroad	- 1	- 2	- 2	- 1	- 4	- 7	- 3	- 5	- 4	- 6	- 6	- 7
	Canadian Securities:												
3	Trade in outstanding issues	- 6	- 3	- 4	- 3	- 3	- 3	+ 2	+ 1	+ 5	+ 5	+ 3	+ 14
4	New issues	—	—	—	+ 7	—	—	—	+ 1	+ 1	+ 1	+ 1	+ 4
5	Retirements	- 9	- 8	- 3	- 4	- 4	- 2	- 2	- 1	- 2	- 1	- 3	- 1
	Foreign Securities:												
6	Trade in outstanding issues	—	—	—	—	—	+ 1	+ 1	+ 1	+ 1	—	+ 1	—
8	Retirements	—	—	—	+ 1	—	—	—	—	—	—	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 14	—	—	—	+ 14	—	—	—	+ 14
11	Repayment of war loans	+ 5	+ 14	+ 8	+ 7	+ 2	+ 6	+ 8	+ 7	+ 4	+ 7	+ 39	—
14	Change in Canadian dollar holdings of foreigners	- 1	+ 1	- 71	- 57	+ 5	- 2	—	- 25	+ 24	+ 13	- 57	+ 4
16	Change in official holdings of sterling (increase, minus)	+ 18	- 14	- 13	- 8	+ 33	+ 8	+ 2	—	+ 1	- 3	+ 2	- 4
17	Other capital movements	- 12	+ 20	+ 44	+ 30	- 29	- 7	- 13	- 13	+ 1	+ 3	+ 12	- 11
	Net Capital Movement	+ 3	+ 14	- 35	- 5	+ 3	- 3	- 2	- 14	+ 41	+ 26	+ 7	+ 23
	Balance Settled by Exchange Transfers	- 7	+ 3	- 12	- 160	- 128	- 188	- 88	- 82	- 74	- 81	- 76	- 95
	Total Financing of Current Account Balance (item C)	- 4	+ 17	- 47	- 165	- 125	- 191	- 90	- 96	- 33	- 55	- 69	- 72

TABLE II. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1951-1953
(Millions of dollars)

F. BETWEEN CANADA AND NON-STERLING AREA OVERSEAS COUNTRIES, IMF AND IBRD

No.	Account	1951				1952				1953			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	110	157	204	252	209	225	254	285	149	219	205	214
4	Travel expenditures	1	1	2	1	1	1	2	1	1	1	2	1
5	Interest and dividends	2	12	1	9	1	12	1	10	1	14	1	6
6	Freight and shipping	11	16	21	25	17	19	22	26	13	19	15	19
7	Inheritances and immigrants' funds	4	7	8	9	6	8	6	4	3	9	9	7
11	All other current receipts	3	3	4	3	4	5	4	5	4	6	7	6
12	**Total Current Receipts**	**131**	**196**	**240**	**299**	**238**	**270**	**289**	**331**	**171**	**268**	**239**	**253**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	107	146	142	133	109	124	129	136	112	136	145	136
4	Travel expenditures	1	2	4	2	2	4	6	3	2	5	8	6
5	Interest and dividends	3	2	3	3	3	3	3	4	3	3	4	4
6	Freight and shipping	5	7	8	10	5	6	7	8	5	8	9	8
7	Inheritances and emigrants' funds	1	1	1	1	1	1	1	1	1	1	1	1
9	Official contributions	1	5	—	3	1	—	—	—	4	—	1	1
11	All other current payments	8	9	12	11	12	15	17	16	13	19	18	21
12	**Total Current Payments**	**126**	**172**	**170**	**163**	**133**	**153**	**163**	**168**	**140**	**172**	**186**	**177**
C	**Current Account Balance**	**+ 5**	**+ 24**	**+ 70**	**+ 136**	**+ 105**	**+ 117**	**+ 126**	**+ 163**	**+ 31**	**+ 96**	**+ 53**	**+ 76**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 4	+ 1	+ 2	+ 2	+ 3	+ 2	+ 3	+ 4	+ 1	+ 2	+ 1	+ 22
2	Direct investment abroad	- 1	- 2	- 1	- 6	- 2	- 6	- 7	- 1	- 3	- 3	—	- 1
	Canadian Securities:												
3	Trade in outstanding issues	+ 11	+ 10	+ 6	+ 7	+ 4	+ 2	+ 3	+ 4	+ 3	+ 8	+ 6	+ 5
4	New issues	—	—	—	—	—	—	—	—	+ 2	+ 1	+ 1	+ 2
5	Retirements	—	—	—	- 1	—	—	—	- 5	- 2	—	—	- 1
	Foreign Securities:												
6	Trade in outstanding issues	—	- 3	—	—	—	—	—	—	—	—	- 1	—
7	New issues	—	—	—	—	- 15	—	—	—	- 1	- 1	- 1	- 2
10	Repayment of post-war loans by Government of Canada	—	+ 7	—	+ 13	—	+ 9	—	+ 10	+ 2	+ 11	—	+ 10
14	Change in Canadian dollar holdings of foreigners	+ 6	+ 5	—	- 22	+ 2	- 7	+ 14	- 16	+ 7	- 3	+ 1	- 5
17	Other capital movements	- 4	- 3	- 5	- 1	+ 12	- 2	—	- 1	- 5	- 5	- 5	- 4
E	**Net Capital Movement**	**+ 16**	**+ 15**	**+ 2**	**- 8**	**+ 4**	**- 2**	**+ 13**	**- 5**	**+ 4**	**+ 10**	**+ 2**	**+ 24**
G	**Balance Settled by Exchange Transfers**	**- 21**	**- 39**	**- 72**	**- 128**	**- 109**	**- 115**	**- 139**	**- 158**	**- 35**	**- 106**	**- 55**	**- 100**
	Total Financing of Current Account Balance (item C)	**- 5**	**- 24**	**- 70**	**- 136**	**- 105**	**- 117**	**- 126**	**- 163**	**- 31**	**- 96**	**- 53**	**- 76**

TABLE III. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1953

(exclusive of short-term commercial indebtedness and blocked currencies)

(Billions of dollars)

	Detail in Tables	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953
Canadian Liabilities (Foreign Capital Invested in Canada):													
Direct investments	V, VII, VIII	1.8	2.4	2.3	2.7	2.8	3.0	3.3	3.6	4.0	4.5	5.2	5.8
Government and municipal bonds	VI	1.4	1.7	1.7	1.7	1.6	1.5	1.6	1.8	2.0	2.1	2.0	2.1
Other portfolio investments	V	2.5	3.2	2.6	2.4	2.5	2.4	2.3	2.3	2.4	2.5	2.7	2.9
Miscellaneous investments		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5[2]	0.4
Total non-resident long-term investment in Canada	**V, VI**	**6.0**	**7.6**	**6.9**	**7.1**	**7.2**	**7.2**	**7.5**	**8.0**	**8.7**	**9.5**	**10.4**	**11.2**
Equity of non-residents in Canadian assets abroad		n/a	n/a	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5
Canadian dollar holdings of non-residents		n/a	n/a	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3
Canadian short-term assets of IMF and IBRD		—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Gross Liabilities		**6.4**	**8.0**	**7.4**	**7.6**	**7.8**	**8.1**	**8.4**	**8.9**	**9.9**	**10.6**	**11.4**	**12.3**
United States		3.5	4.9	4.5	5.4	5.7	5.7	6.0	6.4	7.1	7.9	8.6	9.2
United Kingdom		2.7	2.9	2.6	1.8	1.7	1.7	1.7	1.8	2.0	1.9	2.0	2.1
Other countries, IMF and IBRD		0.2	0.2	0.3	0.4	0.4	0.7	0.7	0.7	0.8	0.8	0.8	0.9
Canadian Assets (Canadian Capital Invested Abroad):													
Direct investments	X	0.4	0.4	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.4
Portfolio investments	X	0.5	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8[2]	0.8
Government of Canada loans and advances	X	—	—	—	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8
Government of Canada subscriptions to IMF and IBRD		—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad		**0.9**	**1.3**	**1.4**	**2.0**	**2.7**	**3.6**	**3.6**	**4.0**	**4.0**	**4.1**	**4.4**	**4.4**
Government of Canada holdings of gold and foreign exchange	IV	n/a	n/a	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8
Other Canadian short-term assets abroad		n/a	n/a	—	0.1	—	—	—	0.1	0.1	0.1	0.3	0.4
Gross Assets		**1.3**	**1.5**	**1.9**	**3.8**	**4.0**	**4.1**	**4.7**	**5.2**	**5.9**	**6.0**	**6.5**	**6.6**
Government of Canada holdings of gold and foreign exchange		—	—	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8
United States[1]		0.7	0.9	0.9	0.9	0.8	0.8	0.8	1.1	1.1	1.4	1.8	1.9
United Kingdom[1]		0.1	0.1	0.1	0.7	1.2	1.5	1.5	1.6	1.6	1.5	1.6	1.5
Other countries, IMF and IBRD		0.5	0.5	0.4	0.5	0.7	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Canadian Net International Indebtedness:													
Net Liabilities		**5.1**	**6.5**	**5.5**	**3.9**	**3.8**	**4.0**	**3.7**	**3.7**	**4.0**	**4.6**	**4.9**	**5.7**
Government of Canada holdings of gold and foreign exchange		—	—	-0.5	-1.7	-1.3	-0.5	-1.0	-1.2	-1.9	-1.8	-1.8	-1.8
United States[1]		2.8	4.0	3.6	4.6	4.9	4.9	5.2	5.3	6.0	6.5	6.8	7.3
United Kingdom[1]		2.6	2.8	2.5	1.1	0.5	0.2	0.2	0.2	0.4	0.4	0.4	0.6
Other countries, IMF and IBRD		-0.3	-0.3	-0.1	-0.1	-0.3	-0.6	-0.7	-0.6	-0.5	-0.5	-0.5	-0.4

N.B. As above figures are rounded, totals do not necessarily equal the sum of their component parts.
1. Exclusive of Government of Canada holdings of gold and foreign exchange.
2. New series.

TABLE IV. Canada's Official Holdings of Gold and United States Dollars[1], 1950-1953

(Millions of U.S. dollars)

At end of	1950	1951	1952	1953
arch	1,192.2	1,653.4	1,787.2	1,845.3
ne	1,255.4	1,683.0	1,827.7	1,750.1
ptember	1,789.6	1,610.1	1,855.6	1,787.3
ecember	1,741.5	1,778.6	1,860.2	1,818.5

1. Gold, United States exchange and short-term securities of the United States Government held by the Exchange Fund Account, the Bank of Canada, and her Government of Canada Accounts.

TABLE V. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952

Classification by Types of Security and Nature of National Ownership

A. Total Non-resident Ownership of Long-Term Investment in Canada

(Millions of dollars)

	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
By Type of Assets											
Bonds and Debentures:											
Government and municipal[1]	1,434	1,706	1,703	1,662	1,611	1,528	1,599	1,755	1,962	2,103	2,025
Steam railways	1,276	1,481	1,209	843	805	802	793	727	708	676	644
Other corporations	528	796	592	561	620	529	532	572	627	674	891
Sub-total	**3,238**	**3,983**	**3,504**	**3,066**	**3,036**	**2,859**	**2,924**	**3,054**	**3,297**	**3,453**	**3,560**
Capital stock of Canadian companies	2,142	2,856	2,690	3,194	3,299	3,438	3,671	3,914	4,218	4,739	5,173
Other corporation assets[2]	363	480	434	548	561	601	613	690	826	951	1,164
Miscellaneous investments	260	295	285	284	282	290	298	302	320	328	455
Total Non-resident Investments	**6,003**	**7,614**	**6,913**	**7,092**	**7,178**	**7,188**	**7,506**	**7,960**	**8,661**	**9,471**	**10,352**
By Nature of National Ownership											
I. Direct Investments (controlled in country of ownership):											
Bonds and Debentures:											
Steam railways	47	52	49	46	38	37	37	37	34	36	36
Other corporations	211	357	322	281	306	297	296	336	348	346	486
Sub-total	**258**	**409**	**371**	**327**	**344**	**334**	**333**	**373**	**382**	**382**	**522**
Capital stock of Canadian companies	1,166	1,543	1,502	1,860	1,943	2,076	2,344	2,541	2,784	3,206	3,541
Other corporation assets[2]	358	475	423	526	539	576	593	672	809	933	1,134
Total Direct Investments	**1,782**	**2,427**	**2,296**	**2,713**	**2,826**	**2,986**	**3,270**	**3,586**	**3,975**	**4,521**	**5,197**
II. Government and Municipal Bonds[1]	**1,434**	**1,706**	**1,703**	**1,662**	**1,611**	**1,528**	**1,599**	**1,755**	**1,962**	**2,103**	**2,025**
III. Other Portfolio Investments (not controlled in country of ownership):											
Bonds and Debentures:											
Steam railways — controlled in Canada	1,227	1,427	1,158	795	765	763	754	688	672	637	608
— controlled in other countries	2	2	2	2	2	2	2	2	2	3	
Other corporations — controlled in Canada	305	421	265	220	256	176	178	168	214	239	294
— controlled in other countries	12	18	5	60	58	56	58	68	65	89	101
Sub-total	**1,546**	**1,868**	**1,430**	**1,077**	**1,081**	**997**	**992**	**926**	**953**	**968**	**1,011**
Capital stock of Canadian companies:											
Companies controlled in Canada	936	1,233	1,105	1,249	1,269	1,274	1,234	1,275	1,326	1,416	1,491
Companies controlled in other countries	40	80	83	85	87	88	93	98	108	117	131
Other corporation assets[2]:											
Companies controlled in Canada	5	5	9	16	14	15	13	14	14	11	7
Companies controlled in other countries	—	—	2	6	8	10	7	4	3	7	
Total Other Portfolio Investments	**2,527**	**3,186**	**2,629**	**2,433**	**2,459**	**2,384**	**2,339**	**2,317**	**2,404**	**2,519**	**2,643**
IV. Miscellaneous Investments:											
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	260	295	285	284	282	290	298	302	320	328	455
SUMMARY											
I. Direct Investments	1,782	2,427	2,296	2,713	2,826	2,986	3,270	3,586	3,975	4,521	5,197
II. Government and municipal bonds	1,434	1,706	1,703	1,662	1,611	1,528	1,599	1,755	1,962	2,103	2,025
III. Other portfolio investments	2,527	3,186	2,629	2,433	2,459	2,384	2,339	2,317	2,404	2,519	2,643
IV. Miscellaneous investments	260	295	285	284	282	290	298	302	320	328	455
Total Non-resident Investments	**6,003**	**7,614**	**6,913**	**7,092**	**7,178**	**7,188**	**7,506**	**7,960**	**8,661**	**9,471**	**10,320**

TABLE V. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952

Classification by Types of Security and Nature of National Ownership

B. Long-Term Investments in Canada owned by residents of the United States[3]

(Millions of dollars)

	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
By Type of Assets											
Bonds and Debentures:											
Government and municipal[1]	909	1,205	1,221	1,450	1,438	1,387	1,467	1,534	1,746	1,898	1,826
Steam railways	362	598	434	495	458	453	445	380	366	335	305
Other corporations	338	600	440	414	485	417	422	452	505	542	741
Sub-total	**1,609**	**2,403**	**2,095**	**2,359**	**2,381**	**2,257**	**2,334**	**2,366**	**2,617**	**2,775**	**2,872**
Capital stock of Canadian companies	1,283	1,832	1,656	2,088	2,206	2,335	2,606	2,796	3,044	3,477	3,825
Other corporation assets[2]	219	331	295	413	430	453	463	573	697	812	1,022
Miscellaneous investments	85	94	105	130	140	155	163	170	190	195	257[4]
Total United States Investments	**3,196**	**4,660**	**4,151**	**4,990**	**5,157**	**5,200**	**5,566**	**5,905**	**6,548**	**7,259**	**7,976**
By Nature of National Ownership											
I. **Direct Investments** (controlled in country of ownership):											
Bonds and Debentures:											
Steam railways	36	42	41	38	30	29	29	29	29	29	29
Other corporations	152	294	265	254	290	277	280	310	321	319	460
Sub-total	**188**	**336**	**306**	**292**	**320**	**306**	**309**	**339**	**350**	**348**	**489**
Capital stock of Canadian companies	1,000	1,330	1,289	1,613	1,691	1,804	2,052	2,200	2,394	2,751	3,018
Other corporation assets[2]	215	327	286	399	417	438	446	556	682	798	997
Total Direct Investments	**1,403**	**1,993**	**1,881**	**2,304**	**2,428**	**2,548**	**2,807**	**3,095**	**3,426**	**3,897**	**4,504**
II. **Government and Municipal Bonds**[1]	**909**	**1,205**	**1,221**	**1,450**	**1,438**	**1,387**	**1,467**	**1,534**	**1,746**	**1,898**	**1,826**
III. **Other Portfolio Investments** (not controlled in country of ownership):											
Bonds and Debentures:											
Steam railways—controlled in Canada	326	556	393	457	428	424	416	351	337	306	276
—controlled in other countries	—	—	—	—	—	—	—	—	—	—	—
Other corporations—controlled in Canada	185	301	173	158	195	140	141	133	175	214	273
—controlled in other countries	1	5	2	2	—	—	1	9	9	9	8
Sub-total	**512**	**862**	**568**	**617**	**623**	**564**	**558**	**493**	**521**	**529**	**557**
Capital stock of Canadian companies:											
Companies controlled in Canada	272	484	354	462	500	518	540	580	635	708	782
Companies controlled in other countries	11	18	13	13	15	13	14	16	15	18	25
Other corporation assets[2]:											
Companies controlled in Canada	4	4	8	13	12	13	13	14	13	10	20
Companies controlled in other countries	—	—	1	1	1	2	4	3	2	4	5
Total Other Portfolio Investments	**799**	**1,368**	**944**	**1,106**	**1,151**	**1,110**	**1,129**	**1,106**	**1,186**	**1,269**	**1,389**
IV. **Miscellaneous Investments:**											
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	85	94	105	130	140	155	163	170	190	195	257[4]
SUMMARY											
I Direct Investments	1,403	1,993	1,881	2,304	2,428	2,548	2,807	3,095	3,426	3,897	4,504
II Government and municipal bonds	909	1,205	1,221	1,450	1,438	1,387	1,467	1,534	1,746	1,898	1,826
III Other portfolio investments	799	1,368	944	1,106	1,151	1,110	1,129	1,106	1,186	1,269	1,389
IV Miscellaneous investments	85	94	105	130	140	155	163	170	190	195	257[4]
Total United States Investments	**3,196**	**4,660**	**4,151**	**4,990**	**5,157**	**5,200**	**5,566**	**5,905**	**6,548**	**7,259**	**7,976**

TABLE V. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952

Classification by Types of Security and Nature of National Ownership

C. Long-Term Investments in Canada owned by residents of the United Kingdom[3]

(Millions of dollars)

	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
By Type of Assets											
Bonds and Debentures:											
Government and municipal[1]	510	486	453	157	115	90	81	171	163	146	14
Steam railways	898	862	746	316	315	316	316	315	310	309	30
Other corporations	166	171	126	116	107	83	84	92	94	104	12
Sub-total	**1,574**	**1,519**	**1,325**	**589**	**537**	**489**	**481**	**578**	**567**	**559**	**57**
Capital stock of Canadian companies	788	942	909	973	959	971	931	972	1,011	1,042	1,09
Other corporation assets[2]	130	134	122	103	97	115	127	98	105	110	10
Miscellaneous investments	145	171	120	85	75	70	69	67	65	65	11
Total United Kingdom Investments	**2,637**	**2,766**	**2,476**	**1,750**	**1,668**	**1,645**	**1,608**	**1,715**	**1,748**	**1,776**	**1,88**
By Nature of National Ownership											
I. Direct Investments (controlled in country of ownership):											
Bonds and Debentures:											
Steam railways	11	10	8	8	8	8	8	8	5	7	
Other corporations	41	49	44	13	5	6	5	13	13	13	1
Sub-total	**52**	**59**	**52**	**21**	**13**	**14**	**13**	**21**	**18**	**20**	**1**
Capital stock of Canadian companies	154	200	194	226	228	247	263	309	346	369	4
Other corporation assets[2]	130	133	120	101	94	111	124	98	104	108	1
Total Direct Investments	**336**	**392**	**366**	**348**	**335**	**372**	**400**	**428**	**468**	**497**	**5**
II. Government and Municipal Bonds[1]	**510**	**486**	**453**	**157**	**115**	**90**	**81**	**171**	**163**	**146**	**1**
III. Other Portfolio Investments (not controlled in country of ownership):											
Bonds and Debentures:											
Steam railways — controlled in Canada	885	850	736	306	305	306	306	305	303	299	2
— controlled in other countries	2	2	2	2	2	2	2	2	2	3	
Other corporations — controlled in Canada	119	116	80	46	45	22	23	22	25	11	
— controlled in other countries	6	6	2	57	57	55	56	57	56	80	1
Sub-total	**1,012**	**974**	**820**	**411**	**409**	**385**	**387**	**386**	**386**	**393**	**4**
Capital stock of Canadian companies:											
Companies controlled in Canada	608	685	660	691	675	664	604	599	594	600	6
Companies controlled in other countries	26	57	55	56	56	60	64	64	71	73	
Other corporation assets[2]:											
Companies controlled in Canada	—	1	1	2	1	1	—	—	1	1	
Companies controlled in other countries	—	—	1	—	2	3	3	—	—	1	
Total Other Portfolio Investments	**1,646**	**1,717**	**1,537**	**1,160**	**1,143**	**1,113**	**1,058**	**1,049**	**1,052**	**1,068**	**1,**
IV. Miscellaneous Investments:											
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	145	171	120	85	75	70	69	67	65	65	
SUMMARY											
I. Direct Investments	336	392	366	348	335	372	400	428	468	497	
II. Government and municipal bonds	510	486	453	157	115	90	81	171	163	146	
III. Other portfolio investments	1,646	1,717	1,537	1,160	1,143	1,113	1,058	1,049	1,052	1,068	1,
IV. Miscellaneous investments	145	171	120	85	75	70	69	67	65	65	
Total United Kingdom Investments	**2,637**	**2,766**	**2,476**	**1,750**	**1,668**	**1,645**	**1,608**	**1,715**	**1,748**	**1,776**	**1,**

TABLE V. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952

Classification by Types of Security and Nature of National Ownership

D. Long-Term Investments in Canada owned by residents of All Other Countries

(Millions of dollars)

	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
By Type of Assets											
nds and Debentures:											
Government and municipal[1]	15	15	29	55	58	51	51	50	53	59	57
Steam railways	16	21	29	32	32	33	32	32	32	32	32
Other corporations	24	25	26	31	28	29	26	28	28	28	27
Sub-total	**55**	**61**	**84**	**118**	**118**	**113**	**109**	**110**	**113**	**119**	**116**
pital stock of Canadian companies	71	82	125	133	134	132	134	146	163	220	252
ner corporation assets[2]	14	15	17	32	34	33	23	19	24	29	38
scellaneous investments	30	30	60	69	67	65	66	65	65	68	84[4]
Total Investments	**170**	**188**	**286**	**352**	**353**	**343**	**332**	**340**	**365**	**436**	**490**
By Nature of National Ownership											
Direct Investments (controlled in country of ownership):											
Bonds and Debentures:											
Steam railways	—	—	—	—	—	—	—	—	—	—	—
Other corporations	18	14	13	14	11	14	11	13	14	14	13
Sub-total	**18**	**14**	**13**	**14**	**11**	**14**	**11**	**13**	**14**	**14**	**13**
Capital stock of Canadian companies	12	13	19	21	24	25	29	32	44	86	102
Other corporation assets[2]	13	15	17	26	28	27	23	18	23	27	36
Total Direct Investments	**43**	**42**	**49**	**61**	**63**	**66**	**63**	**63**	**81**	**127**	**151**
Government and Municipal Bonds[1]	**15**	**15**	**29**	**55**	**58**	**51**	**51**	**50**	**53**	**59**	**57**
Other Portfolio Investments (not controlled in country of ownership):											
Bonds and Debentures:											
Steam railways — controlled in Canada	16	21	29	32	32	33	32	32	32	32	32
— controlled in other countries	—	—	—	—	—	—	—	—	—	—	—
Other corporations — controlled in Canada	1	4	12	16	16	14	14	13	14	14	14
— controlled in other countries	5	7	1	1	1	1	1	2	—	—	—
Sub-total	**22**	**32**	**42**	**49**	**49**	**48**	**47**	**47**	**46**	**46**	**46**
Capital stock of Canadian companies:											
Companies controlled in Canada	56	64	91	96	94	92	90	96	97	108	118
Companies controlled in other countries	3	5	15	16	16	15	15	18	22	26	32
Other corporation assets[2]:											
Companies controlled in Canada	1	—	—	1	1	1	—	—	—	—	—
Companies controlled in other countries	—	—	—	5	5	5	—	1	1	2	2
Total Other Portfolio Investments	**82**	**101**	**148**	**167**	**165**	**161**	**152**	**162**	**166**	**182**	**198**
Miscellaneous Investments:											
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	30	30	60	69	67	65	66	65	65	68	84[4]
SUMMARY											
Direct Investments	43	42	49	61	63	66	63	63	81	127	151
Government and municipal bonds	15	15	29	55	58	51	51	50	53	59	57
Other portfolio investments	82	101	148	167	165	161	152	162	166	182	198
Miscellaneous investments	30	30	60	69	67	65	66	65	65	68	84[4]
Total Investments	**170**	**188**	**286**	**352**	**353**	**343**	**332**	**340**	**365**	**436**	**490**

1. For division of Government of Canada, provincial and municipal, see Table VI.
2. Includes net assets of unincorporated branches and other long-term investments.
3. Includes some investments held by nominees for residents of other countries.
4. New series.

TABLE VI. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952

Classification by Types of Investment

A. Total Non-Resident Long-Term Investment in Canada Owned by all Non-Residents

(Millions of dollars)

Type of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
Government securities:											
Dominion	638	682	823	726	750	713	823	975	1,141	1,013	858
Provincial	422	592	536	624	594	551	528	534	565	771	822
Municipal	374	432	344	312	267	264	248	246	256	319	345
Sub-total	**1,434**	**1,706**	**1,703**	**1,662**	**1,611**	**1,528**	**1,599**	**1,755**	**1,962**	**2,103**	**2,025**
Public utilities:											
Railways	1,938	2,244	1,871	1,599	1,583	1,586	1,504	1,445	1,446	1,436	1,429
Other	395	634	549	494	557	473	468	494	547	575	636
Sub-total	**2,333**	**2,878**	**2,420**	**2,093**	**2,140**	**2,059**	**1,972**	**1,939**	**1,993**	**2,011**	**2,065**
Manufacturing	1,198	1,573	1,445	1,829	1,895	2,029	2,317	2,539	2,754	3,115	3,529
Mining and smelting	219	334	329	403	386	396	424	494	631	815	1,072
Merchandising	150	203	189	226	238	262	277	300	330	388	436
Financial institutions	344	543	473	525	557	553	541	548	573	591	638
Other enterprises	65	82	69	70	69	71	78	83	98	120	132
Miscellaneous assets	260	295	285	284	282	290	298	302	320	328	455[1]
Total Investment	**6,003**	**7,614**	**6,913**	**7,092**	**7,178**	**7,188**	**7,506**	**7,960**	**8,661**	**9,471**	**10,352**

B. Long-Term Investments in Canada Owned by Residents of the United States

(Millions of dollars)

Type of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
Government securities:											
Dominion	382	440	567	682	701	665	775	844	1,009	887	737
Provincial	342	517	473	574	554	515	494	492	525	732	782
Municipal	185	248	181	194	183	207	198	198	212	279	307
Sub-total	**909**	**1,205**	**1,221**	**1,450**	**1,438**	**1,387**	**1,467**	**1,534**	**1,746**	**1,898**	**1,826**
Public utilities:											
Railways	510	832	588	720	717	724	718	664	675	656	644
Other	290	522	432	375	441	372	372	399	448	490	547
Sub-total	**800**	**1,354**	**1,020**	**1,095**	**1,158**	**1,096**	**1,090**	**1,063**	**1,123**	**1,146**	**1,191**
Manufacturing	953	1,287	1,160	1,482	1,554	1,676	1,936	2,099	2,260	2,568	2,912
Mining and smelting	165	255	251	322	311	324	347	416	549	723	972
Merchandising	99	138	129	164	173	185	194	211	230	270	307
Financial institutions	125	251	201	285	321	312	297	338	362	353	395
Other enterprises	60	76	64	62	62	65	72	74	88	106	116
Miscellaneous assets	85	94	105	130	140	155	163	170	190	195	257[1]
Total Investment	**3,196**	**4,660**	**4,151**	**4,990**	**5,157**	**5,200**	**5,566**	**5,905**	**6,548**	**7,259**	**7,976**

TABLE VI. Foreign Capital Invested in Canada, Selected Year Ends 1926-1952
Classification by Types of Investment

C. Long-Term Investments in Canada Owned by Residents of the United Kingdom
(Millions of dollars)

Type of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
Government securities:											
Dominion	250	235	238	—	—	—	—	84	82	70	68
Provincial	73	69	58	45	37	35	33	41	39	38	38
Municipal	187	182	157	112	78	55	48	46	42	38	36
Sub-total	**510**	**486**	**453**	**157**	**115**	**90**	**81**	**171**	**163**	**146**	**142**
Public utilities:											
Railways	1,371	1,352	1,216	806	795	792	724	716	707	704	699
Other	97	100	89	90	85	72	69	66	69	56	55
Sub-total	**1,468**	**1,452**	**1,305**	**896**	**880**	**864**	**793**	**782**	**776**	**760**	**754**
Manufacturing	234	274	257	301	295	307	340	396	444	490	552
Mining and smelting	51	74	61	62	56	52	56	54	55	60	61
Merchandising	49	61	55	57	60	71	76	83	90	103	111
Financial institutions	176	243	221	186	182	186	188	155	147	142	140
Other enterprises	4	5	4	6	5	5	5	7	8	10	12
Miscellaneous assets	145	171	120	85	75	70	69	67	65	65	114[1]
Total Investment	**2,637**	**2,766**	**2,476**	**1,750**	**1,668**	**1,645**	**1,608**	**1,715**	**1,748**	**1,776**	**1,886**

D. Long-Term Investments in Canada Owned by Residents of all Other Countries
(Millions of dollars)

Type of Investment	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
Government securities:											
Dominion	6	7	18	44	49	48	48	47	50	56	53
Provincial	7	6	5	5	3	1	1	1	1	1	2
Municipal	2	2	6	6	6	2	2	2	2	2	2
Sub-total	**15**	**15**	**29**	**55**	**58**	**51**	**51**	**50**	**53**	**59**	**57**
Public utilities:											
Railways	57	60	67	73	71	70	62	65	64	76	86
Other	8	12	28	29	31	29	27	29	30	29	34
Sub-total	**65**	**72**	**95**	**102**	**102**	**99**	**89**	**94**	**94**	**105**	**120**
Manufacturing	11	12	28	46	46	46	41	44	50	57	65
Mining and smelting	3	5	17	19	19	20	21	24	27	32	39
Merchandising	2	4	5	5	5	6	7	6	10	15	18
Financial institutions	43	49	51	54	54	55	56	55	64	96	103
Other enterprises	1	1	1	2	2	1	1	2	2	4	4
Miscellaneous assets	30	30	60	69	67	65	66	65	65	68	84[1]
Total Investment	**170**	**188**	**286**	**352**	**353**	**343**	**332**	**340**	**365**	**436**	**490**

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada. Investments in exploration and development of petroleum by companies engaged in refining and production of petroleum products are therefore included in the manufacturing group.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

1. New series.

TABLE VII. United States Direct Investments[1] in all Canadian Businesses, Selected Year Ends 1926-1952

Classification by Types of Business

(Millions of dollars)

Type of Business	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952
Manufacturing:											
Vegetable products	69	94	96	140	146	155	179	182	193	214	235
Animal products	18	38	47	44	42	46	49	55	58	60	68
Textiles	18	20	20	28	29	32	35	38	42	46	46
Wood and paper products	256	334	281	316	350	383	427	441	446	454	501
Iron and products	180	199	188	272	283	312	346	378	420	452	524
Non-ferrous metals	83	113	130	203	208	225	250	270	311	362	470
Non-metallic minerals[2]	109	126	112	133	138	152	229	279	307	428	470
Chemicals and allied products	60	86	88	118	134	147	167	185	194	219	246
Miscellaneous manufactures	25	31	22	31	36	41	47	52	53	56	59
Total	**818**	**1,041**	**984**	**1,285**	**1,366**	**1,493**	**1,729**	**1,880**	**2,024**	**2,291**	**2,619**
Mining and smelting[2]	141	210	198	255	245	254	275	331	453	603	821
Utilities	249	423	399	359	366	345	347	375	379	392	371
Merchandising	89	122	119	153	165	175	183	199	219	259	296
Financial institutions	58	136	126	198	232	222	208	241	267	253	289
Other enterprises	48	61	55	54	54	59	65	69	84	99	108
Total, All Companies	**1,403**	**1,993**	**1,881**	**2,304**	**2,428**	**2,548**	**2,807**	**3,095**	**3,426**	**3,897**	**4,504**

1. Direct investment covers investment in branches, subsidiaries and controlled companies; the figures are a part of the totals in Tables VB and VIB.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in the non-metallic minerals item of Manufacturing.

TABLE VIII. United Kingdom Direct Investments[1] in all Canadian Businesses, Selected Year Ends 1939-1952

Classification by Types of Business

(Millions of Dollars)

Type of Business	1939	1945	1946	1947	1948	1949	1950	1951	1952
Manufacturing:									
Vegetable products	61	60	60	68	69	68	74	74	78
Animal products	2	3	2	3	2	3	3	3	4
Textiles	18	26	27	30	33	30	36	38	39
Wood and paper products	38	30	31	33	32	88	92	109	111
Iron and products	4	4	4	5	7	7	20	14	15
Non-ferrous metals	6	8	6	5	7	8	9	10	8
Non-metallic minerals	3	4	4	6	15	15	19	17	25
Chemicals and allied products	21	19	19	21	25	26	28	30	36
Miscellaneous manufactures	2	2	2	2	3	5	7	12	26
Total	**153**	**156**	**155**	**173**	**193**	**250**	**288**	**307**	**342**
Mining and smelting	29	22	19	18	19	17	19	19	18
Utilities	15	16	16	18	18	17	16	16	16
Merchandising	46	51	55	67	70	76	84	98	106
Financial institutions	120	98	85	92	95	61	54	48	49
Other enterprises	3	5	5	4	5	7	7	9	11
Total, All Companies	**366**	**348**	**335**	**372**	**400**	**428**	**468**	**497**	**542**

1. Direct investment covers investment in branches, subsidiaries and controlled companies; the figures are a part of the totals in Tables VC and VIC.
2. Less than $500,000.

TABLE IX. Number of Canadian Concerns Controlled Abroad[1], End of 1952

Classification by Countries of Ownership and Types of Business

Type of Business	Controlled in United States			Controlled in United Kingdom			Controlled in Other Countries		
	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number
Manufacturing:									
Vegetable products	109	5	114	52	2	54	3	—	3
Animal products	53	1	54	3	1	4	3	—	3
Textiles	67	1	68	23	2	25	5	—	5
Wood and paper products	143	10	153	26	1	27	4	—	4
Iron and products	289	20	309	39	—	39	5	—	5
Non-ferrous metals	170	8	178	15	1	16	6	—	6
Non-metallic minerals	71	4	75	20	—	20	—	—	—
Chemicals and allied products	262	34	296	36	3	39	7	1	8
Miscellaneous manufactures	78	7	85	12	—	12	2	—	2
Total	**1,242**	**90**	**1,332**	**226**	**10**	**236**	**35**	**1**	**36**
Mining and smelting	**157**	**84**	**241**	**17**	**2**	**19**	**8**	—	**8**
Utilities:									
Railways	8	2	10	4	—	4	—	—	—
Other utilities	96	17	113	12	3	15	10	—	10
Merchandising	**547**	**76**	**623**	**229**	**30**	**259**	**51**	**2**	**53**
Financial institutions:									
Insurance	13	176	189	25	85	110	1	30	31
Investment trusts	12	—	12	7	—	7	5	—	5
Other financial institutions	78	16	94	24	6	30	28	—	28
Other enterprises	**242**	**59**	**301**	**29**	**4**	**33**	**21**	—	**21**
Total, All Companies[2]	**2,395**	**520**	**2,915**	**573**	**140**	**713**	**159**	**33**	**192**

1. The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tables.
2. Includes wholly-owned subsidiaries of Canadian Companies controlled in the U.S. 392; in the U.K. 138; in other countries 10.

TABLE X. Canadian Long-Term Investments Abroad[1], Selected Year Ends 1939-1952

(Millions of dollars)

Location and Year	Direct Investment in Branches, Subsidiaries and Controlled Companies					Portfolio Investments in Foreign Securities			Government of Canada Credits	Total
	Railways and Utilities	Industrial and Commercial	Mining and Petroleum	Other Concerns	Total Direct Investment	Stocks	Bonds	Total Portfolio Investment		
In All Countries:										
1939	249	289	123	10	671	511	208	719	31	1,421
1945	239	337	138	6	720	454	167	621	707	2,048
1947	246	414	155	7	822	426	153	579	1,816	3,217
1949	276	553	91	6	926	477	161	638	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,922	3,691
1952	326	771	163	9	1,269	669	164	833	1,866	3,968
In the United States:										
1939	211	176	21	4	412	380	121	501	—	913
1945	212	214	25	4	455	317	92	409	—	864
1947	217	272	37	5	531	283	83	366	—	897
1949	247	413	58	3	721	345	98	443	—	1,164
1951	288	549	71	4	912	289	87	376	—	1,282
1952	293	572	95	6	966	450[4]	89	539	—	1,505
In the United Kingdom:										
1939	2	53	—	6	59	22	21	43	—	102
1945	2	53	—	1	54	26	27	53	561	668
1947	2	64	—	2	64	26	26	52	1,331	1,447
1949	2	58	—	1	59	21	19	40	1,434	1,533
1951	1	73	—	2	74	17	17	34	1,394	1,502
1952	1	80	—	2	81	17	14	31	1,357	1,469
In Other British Countries[3]:										
1939	7	30	17	2	54	7	15	22	—	76
1945	7	34	28	2	69	7	12	19	—	88
1947	8	47	30	2	85	7	11	18	—	103
1949	6	51	19	2	76	6	8	14	—	90
1951	7	61	20	2	88	6	8	14	—	102
1952	7	70	35	2	112	6	8	14	—	126
In Other Foreign Countries:										
1939	31	30	85	—	146	102	51	153	31	330
1945	20	36	85	1	142	104	36	140	146	428
1947	21	31	88	2	142	110	33	143	485	770
1949	23	31	14	2	70	105	36	141	566	777
1951	25	39	25	3	92	155	30	185	528	805
1952	25	49	33	3	110	196	53	249	509	868

1. Excluding investments of insurance companies and banks, and subscriptions by the Government of Canada to IMF and IBRD.
2. Amounts are less than $500,000.
3. Including investments in Newfoundland prior to 1949.
4. New series not strictly comparable with earlier years.

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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1954 AND INTERNATIONAL INVESTMENT POSITION

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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1954
AND
INTERNATIONAL INVESTMENT POSITION

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1954:

Summary 5
Prevalence of Current Deficits since 1950 6
Quarterly Developments 7
Bilateral Changes 9
Changes in the Current Account 10
Capital Movements 16

Canada's International Investment Position 23

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries 1950-1954 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas 1952-1954 8
3. Foreign Exchange Rates: U.S. dollar in Canada 1953 and 1954 8
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas 1946-1954 9
5. Prices, Physical Volume, and Terms of Trade of Domestic Exports and Imports, 1950-1954 11
6. Adjustments to Commodity Trade 1953 and 1954 11
7. Principal Elements of Canada's Current Account with All Countries 1950-1954 12
8. International Travel Expenditures between Canada and Other Countries 1948-1954 13
9. Receipts and Payments of Interest and Dividends between Canada and All Countries 1950-1954 13
10. Freight and Shipping Transactions between Canada and Other Countries 1950-1954 14
11. Miscellaneous Current Transactions with All Countries, Revised 1953 and Preliminary 1954 15
12. United States Direct Investment in Canada 1946-1954 17
13. Transactions in Canadian Securities between Canada and Other Countries 1954 18
14. Estimated Composition of "Other Capital Movements", 1950-1954 22
15. Value of United States Investments in Canada, Selected Year Ends 1930-1954 23
16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends 1926-1954 24
17. Book Value of Foreign Investment in the Petroleum Industry in Canada, End of 1945, 1952 and 1953 25
18. Non-Resident Ownership of Canadian Industries, Selected Year Ends 1939-1952 25
19. Estimated Distribution of Funded Debt of Canadian Governments and Corporations, End of 1954 26

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, Revised Estimates for 1953 and Preliminary Estimates for 1954 27
II. Annual Statements of the Canadian Balance of International Payments, 1946-1954 28
III. Current Account Between Canada and All Countries, 1926-1954 31
IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1952-1954 32
V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1954 36
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-1954 36
VII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1953, Classification by Types of Investment 37
VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1953 Classification by Types of Security and Nature of National Ownership 38
IX. United States Direct Investments in all Canadian Businesses, Selected Year Ends 1926-1953, Classification by Types of Business 40
X. United Kingdom Direct Investments in all Canadian Businesses, Selected Year Ends 1939-1953, Classification by Types of Business 40
XI. Number of Canadian Concerns Controlled Abroad, End of 1953 41
XII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1939-1953 41

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1954

Summary

Canada's international transactions in goods and services resulted in a deficit of $431 million in 1954, compared to a deficit of $443 million in the previous year. While the current account deficits were not greatly different in the two years, the levels of both current receipts and payments were 5 per cent less than in 1953.

The stability of the deficit reflected opposite movements in the balances on merchandise and non-merchandise transactions. The trade balance, as adjusted for purposes of the balance of payments, swung from a deficit of $58 million to a surplus of $13 million. Merchandise exports fell by $223 million, while imports fell further by $294 million. The decline in exports reflected a decline of 3 per cent in both price and volume, while that in imports was wholly due to a volume decline of 7 per cent. The decline of export prices in the face of stability in import prices led to a deterioration of 3 per cent in the terms of trade.

Most of the improvement in the trade balance was offset by larger net payments for invisibles. The customary deficit on these transactions rose by $59 million to $444 million in 1954. Most of this change represented higher payments for interest and dividends while receipts fell. Travel expenditures continued to rise while receipts were unchanged. The increased deficits on income and travel account were only partly offset by higher gold production available for export and a reduced deficit on freight and shipping account.

The general pattern of capital movements was little changed in 1954. Inflows for direct investment in foreign-controlled enterprises fell by some 12 per cent below the record levels reached in 1953. The net inflow from Canadian security transactions was also smaller than in 1953, although there was a spectacular increase in sales of Canadian stocks to non-residents. After several years during which there were very heavy outflows of private short-term capital, near-balance was restored in 1954, but there were substantial additions to Canada's official holdings of gold and foreign exchange. During the year the United States dollar was traded in Canada within a range of 2.41 cents. This compared with trading ranges of 3.03 cents in 1953 and 5.25 cents in 1952, indicating conditions of relative stability in the exchange market. Over the year as a whole the average price of the United States dollar in Canada was 97.32 cents or 1.02 cents lower than for 1953.

STATEMENT 1. Summary of the Balance of Payments Between Canada and All Countries, 1950-1954

(Millions of dollars)

Account	1950	1951	1952	1953	1954	Change in 1954
Commodity exports (adjusted)[1]	3,139	3,950	4,339	4,152	3,929	- 223
Commodity imports (adjusted)	3,129	4,097	3,850	4,210	3,916	- 294
Balance on commodity trade	+ 10	- 147	+ 489	- 58	+ 13	+ 71
Other current receipts	1,101	1,216	1,319	1,339	1,296	- 43
Other current payments	1,445	1,586	1,644	1,724	1,740	+ 16
Balance on invisibles	- 344	- 370	- 325	- 385	- 444	- 59
Current account balance	**- 334**	**- 517**	**+ 164**	**- 443**	**- 431**	**+ 12**
Direct investment in Canada	+ 222	+ 309	+ 346	+ 426	+ 376	- 50
Net new issues of Canadian securities	- 74	+ 227	+ 227	+ 189	+ 124	- 65
Net trade in outstanding Canadian securities	+ 329	+ 38	- 94	- 31	+ 55	+ 86
All other capital movements[2]	- 143	- 57	- 643	- 141	- 124	+ 17
Net capital movement	**+ 334**	**+ 517**	**- 164**	**+ 443**	**+ 431**	**- 12**

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Including amounts of - 694, - 39, - 80, + 42, and - 124 in 1950 to 1954 respectively, covering the Canadian dollar equivalent of increases (-) or decreases (+) in official holdings of gold and U.S. dollars.

Canada has had current account deficits since 1950, except in 1952. None of these deficits has exceeded 10 per cent of current receipts, however, and their sum since 1950 has been much more than covered by private long-term capital inflows. The deficits have been closely related to the striking growth in consumption, investment, and defence expenditures since 1949. Toward the end of 1953, and for part of 1954, some components of these demands levelled out or decreased (particularly inventories), and a variety of imports fell as a result. At the same time, exports of Canadian grains declined and recessionary tendencies in some United States industries affected exports also. The decline in exports to the United States was moderate, however, and strong increases in industrial activity in Europe led to increased purchases of a number of products other than grains. After mid 1954, moreover, the level of both exports and imports was upwards. The decline in exports and imports was fairly balanced, with that in imports somewhat greater for the year; since payments for services rose, however, while receipts fell, the current deficit was not greatly changed.

The bilateral imbalance of the current account was reduced in 1954. There was a reduction in the deficit with the United States and a reduced surplus with overseas countries, although the surplus with the United Kingdom rose. These moderate changes, however, have left the bilateral pattern of the last few years relatively unchanged.

Canada contributed $284 million in Mutual Aid to NATO countries in 1954. The total of such aid since 1950 rose to $932 million, as measured for balance of payments purposes. These sums include shipments of equipment and supplies and the provision of air training to European aircrews. These unilateral transactions are offset by corresponding payments entries, so that they do not directly affect the current account balance. Expenditures for defence equipment and for military services are discussed later in this report.

Prevalence of Current Deficits Since 1950

From 1950 to 1954 inclusive, except for 1952, current payments for goods and services have exceeded receipts. A brief comment on the factors in these deficits and the effects on the balance of payments may be useful before proceeding to examine the balance of payments in detail.

Current account deficits mean, in effect, net borrowing of resources from non-residents. In Canadian economic history such deficits have tended to be associated with periods of great prosperity. This was the case, for example, in the period before 1914, in the late 'twenties, and in the past several years. In each of these periods the rate of growth in Canada has been equalled by that of few other countries. The current deficits have permitted a faster rate of growth than would otherwise have been possible, by supplementing the domestic resources which Canadians made available for investment in Canada.

The basic factor in the recent deficits has been the strong growth in domestic consumption, investment, and government defence spending since 1949. The rise in investment has been particularly outstanding in the development of new resources and industries. In addition, there has been a substantial element of investment in machinery and equipment in recent years which springs from the replacement of worn out or obsolete industrial equipment. For various reasons there was a long period of years when investment of this kind was very light. The growth in investment has been, in part, spurred by the inflow of foreign capital, particularly with respect to resource development. In part, however, the capital inflows have been attracted by the rapid development within Canada.

As a result of the strong domestic growth and the related capital inflows, the volume of imports has grown markedly. The heavy investment of the post-war period has, it is true, reduced the relative need for some imports such as petroleum, and enlarged export capacity in many lines. Nevertheless, except for 1952, the small trade surpluses or deficits of the period 1950-1954 are in marked contrast to the relatively large trade surpluses of earlier post-war years. At the same time, the travel and freight accounts have changed from surplus to deficit, and net payments for business services have risen sharply as foreign investment and economic activity increased. The major element in the deficit each year continues to be the large net payments for interest and dividends, reflecting Canada's net debtor position.

While emphasizing the relationship between the strong rate of development and the current deficits, note must also be taken of special factors affecting the balance of payments. In the earlier post-war years, when there were current surpluses, substantial loans were made to overseas countries to assist them in maintaining imports, at a time when commodities were generally scarce, and restrictions on Canadian payments were tightened in 1947. Later, as Canadian import restrictions were removed and as external supplies of commodities improved, Canadian imports rose. And as the balance of payments difficulties of the overseas world spread there was an extension of restrictions on foreign expenditures for Canadian exports. These restrictions sharply reduced Canadian exports of manufactured goods in the late 1940's and in the 1950's. In 1952 a marked improvement in the terms of trade and exceptionally large exports of grains led to a temporary surplus, in spite of rapidly rising import volume. In 1954 import volume declined as some lines of activity in Canada weakened for a time; since exports of grains also declined, however, the deficits continued.

The effects of the deficits are varied, but several can be noted here in relation to the balance of payments. The financing of the deficits has not in itself proved difficult. In no year have the deficits exceeded 10 per cent of current receipts. The deficits have, moreover, been more than covered by long-term capital inflows.

The eventual effects of the development of new resources and other investments upon Canada's commodity balance are yet to emerge. Many of the recent import demands have sprung from the development of new resources which take a considerable period to bring to the stage of full production. Thus it was only towards the end of 1954 that some new resource developments reached their initial production stage and started exporting on a still moderate scale. Other developments have yet to begin production. There has consequently been a deferment of the eventual favourable effects on Canada's trade balance which may be anticipated from much of the new investment.

On the other hand, the effect of the heavy capital inflow on net payments of interest and dividends has also been delayed. Receipts of income have risen sharply since 1949 as interest on government loans has risen, and there have been transfers of accumulated earnings. Payments of interest have risen considerably, but the larger and much more volatile element of dividends fell till 1954. In part this represented an artificial peak in 1950-1951, when changes in exchange control regulations led to a concentration of payments. The major factor keeping dividend payments low, however, has been the retention of earnings for expansion.

The financing of the current deficit is shown in statements of the capital account of the balance of payments. These show a marked acceleration of long-term capital inflows (direct investments and net new issues) after 1949. This, in turn, along with retained earnings and other factors, has led to a considerable increase in Canada's balance of international indebtedness in the past few years. While much smaller in relative terms than in the past, because of the immense growth in Canada's productive capacity, the net balance of indebtedness now exceeds that which prevailed in 1930. The effects of this are so varied that only a few can be noted briefly. It has meant a speeding up of the process whereby Canada has for long borrowed funds and technology from other economies, with many beneficial effects on incomes and living standards in Canada. It has also involved increasing non-resident control and ownership of Canadian resources, and the effects, both present and future, on income and business service payments abroad.

Quarterly Developments

Late in 1953 and for part of 1954 some sectors of Canadian production experienced a slowing down or decline in activity, which reversed the strong growth in import volume. However, since current receipts also declined, mainly because of reduced exports of grains, the decline in receipts and payments was a balanced one and the current deficit continued into 1954. By the second half of 1954 the expansion in the Canadian and United States economies had resumed, economic activity in overseas countries remained high, and Canadian foreign trade was rising once more.

The rapid increase of Canadian production to mid 1953 had carried import volume to record levels by mid year[1]. Export volume had dropped to less than the level of the first half of 1952, the terms of trade had been slowly falling, and the deficit on non-merchandise transactions increased rapidly. As a result of these developments there were substantial deficits in the first half of 1953, in contrast to small surpluses one year earlier.

The reappearance of a substantial deficit on current account in the first quarter of 1953 was accompanied by an increased inflow of long-term capital for direct investment and for new issues of Canadian securities, which were sufficiently large to provide the exchange required. In the second quarter a sharp contraction occurred in inflows from the sale of new issues, and there was a wave of liquidation of foreign holdings of Canadian securities. Both these developments stemmed from a substantial drop in bond prices in the United States and contributed to a decline in the exchange value of the Canadian dollar in this period. After the middle of the year the current account deficit fell sharply, reflecting mainly the usual seasonal improvement in both the trade balance and invisibles. Private repatriation of Canadian securities did not continue on any significant scale and, as bond prices in the United States rose, a sharp increase occurred during the fourth quarter in sales abroad of new issues of Canadian securities. These developments were a factor in the increasing strength of the Canadian dollar.

The levels of exports and imports had begun to fall in the second half of 1953. On a seasonally adjusted basis the decline was mainly concentrated in the fourth quarter for both exports and imports, although imports experienced further declines in the first quarter of 1954. The subsequent movement of seasonally adjusted exports and imports in 1954 was moderately and generally upward. The level of other current receipts and payments was also reduced for most of the year, although increased payments of income in the fourth quarter of 1954 raised payments for invisibles above the levels of one year earlier.

The decline in exports reflected somewhat varying influences. The major factor was the improved world supply position of wheat and coarse grains, which led to a reaction to the unusually large exports of recent years. Setbacks to output in a number of industries in the United States and restrictions on imports of coarse grains moderately reduced exports to that market. Strong increases in industrial activity in many overseas countries, however, led to increased purchases of a number of exports other than grains.

The import declines were more widespread. Late in 1953 and for part of 1954 the increase in several components of gross national expenditure slowed and reversed itself. The reversal in business inventory change was particularly notable, and there was a substantial decline in machinery and equipment

1. Quarterly developments from 1950-1952 were examined in the previous annual issue of this report.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1952-1954

(Millions of dollars)

Country or Area	1952				1953				1954			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
United States	- 202	- 264	- 141	- 242	- 243	- 338	- 132	- 191	- 237	- 281	- 58	- 234
United Kingdom	+ 86	+ 157	+ 70	+ 75	—	+ 30	+ 44	+ 59	+ 24	+ 31	+ 68	+ 109
Other sterling area	+ 39	+ 34	+ 20	+ 21	+ 29	+ 22	+ 21	+ 11	+ 15	+ 12	+ 6	+ 11
All other countries[1]	+ 105	+ 117	+ 126	+ 163	+ 28	+ 92	+ 52	+ 73	+ 22	+ 49	+ 4	+ 28
All Countries	**+ 28**	**+ 44**	**+ 75**	**+ 17**	**- 186**	**- 194**	**- 15**	**- 48**	**- 176**	**- 189**	**+ 20**	**- 86**

1. Including other OEEC Countries.

expenditures. Some of the industries affected by declining demands are substantial importers of machinery and supplies, so that much of the decline was communicated to imports.

The declines in current receipts and payments for most of 1954 were fairly balanced. Import volume fell more sharply than export volume in the first half of 1954 compared to the same period of 1953, but import prices were higher while export prices declined. Thus the commodity trade deficits in the two periods were not greatly different. In this connection, however, it should be noted that a change in the method of recording imports in June added some $40 million to imports in that month. The decline in other receipts and payments reflected in part the fall in trade, as in the case of freight, and also some special factors. The deficit on invisibles was also not greatly changed in the first half of 1954 compared to the same period of 1953. The current deficits were $380 million and $365 million in the first half of 1953 and 1954 respectively.

The Canadian dollar tended to weakness over the first half of 1954, as it had in 1953. The price of the United States dollar in Canada rose from 97.38 cents at the beginning of the year to 97.91 cents at the mid year, moving through a low of 96.34 cents in February and a high of 98.75 cents in April. Sales abroad of new issues of Canadian securities, which were very heavy in the first quarter, contracted in the second as Canadian interest rates moved closer to those in the United States. At the same time retirements of Canadian securities rose sharply. The long-term capital inflows fell well short of the current account deficit and a large import of short-term capital was recorded on account of other capital movements; a part of this inflow was the counterpart of the statistical adjustment mentioned above.

Export and import volume had exceeded the levels of one year earlier by the fourth quarter of 1954. In the third and fourth quarters the surplus on trade increased over the levels of one year earlier. This improvement was offset, however, by

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada 1953 and 1954

Quotations reported on transactions between banks in the exchange market

(Source: Bank of Canada)

Quarter	1953			1954		
	High	Low	Noon Average	High	Low	Noon Average
	(Canadian cents per unit)					
I	98.63	96.75	97.71	98.19	96.34	97.01
II	99.78	98.00	99.08	98.75	97.66	98.27
III	99.44	97.78	98.82	97.91	96.78	97.14
IV	98.66	97.00	97.77	97.09	96.59	96.90
Year	**99.78**	**96.75**	**98.34**	**98.75**	**96.34**	**97.32**

Closing Quotations: 1953, 97.375; 1954, 96.59375.

a sharp rise in the fourth quarter deficit on invisibles as net payments for interest and dividends rose markedly. As a result of these opposite changes, the current deficits in the last half of 1953 and 1954 were almost unchanged at $63 million and $66 million respectively.

The third quarter of 1954 saw contractions in inflows both for direct investment and for transactions in Canadian securities, but the change in the current account balance from deficit to surplus was far larger and the Canadian dollar strengthened. As the year came to an end there was a great increase of direct investment flows, which reached a record level. Sales to non-residents of Canadian stocks also reached high levels but were more than offset by retirements of bonds and by other security transactions. The Canadian dollar strengthened further, closing at the year end with the price of the United States dollar in Canadian funds at 96.59 cents.

Bilateral Changes

During 1954 the bilateral imbalance of Canada's current transactions was modified. The deficit with the United States was reduced, while the surplus with each of the overseas countries or areas shown in the balance of payments, except the United Kingdom, was also reduced. It should be noted, however, that the current deficit with the United States has been between $810-$951 million in each of the past four years, while the surplus with overseas countries has been between $379-$461 million (except in 1952). In both 1953 and 1954 the United States accounted for 63 per cent of current receipts by Canada and 73 per cent of current payments, excluding Mutual Aid.

The current account deficit with the United States was reduced by $94 million to $810 million in 1954. The smaller deficit in 1954 was due to a larger fall in imports than in exports. The decline in exports to the United States was specialized. While exports of coarse grains, some base metals, and some primary iron products were lower, exports of newsprint continued at high levels and some other wood products and nickel were higher. Imports of a number of iron and steel products fell considerably, as did imports of textiles and coal. The reduction of the deficit on commodity trade with the United States, however, was partly offset by a considerably increased deficit on invisibles. The major factor in this enlarged deficit was a sharp rise in net payments of interest and dividends. Both interest and dividend receipts from the United States were down sharply, while payments were higher in each case. The deficit on miscellaneous account also increased; the decline in receipts was mainly due to reduced United States government spending in Canada, while payments for various business services were higher. The deficit on travel account widened moderately as travel expenditures continued to rise. These changes, increasing the deficit on invisibles, overshadowed the effects on the balance of an increase in gold production available for export and a large drop in payments for freight.

The increased surplus with the United Kingdom must be viewed in the context of a relatively small surplus in the previous year. It should also be noted, however, that the surplus with the United Kingdom was rising at a time when the surpluses with many other overseas countries were declining. Both trade and non-merchandise items, but mainly the former, contributed to the enlarged surplus. In response to strong increases in industrial activity in the United Kingdom, Canadian exports of wood products, base metals, chemicals, and other products were higher. Increases in these exports, as measured by adjusted balance of payments data, fully offset the considerable decline in exports of wheat to the United Kingdom. While total exports were stable, imports from the United Kingdom fell, particularly in the case of textiles, automobiles, and other iron products. The smaller deficit on invisibles reflects mainly some large non-recurring defence payments for services in 1953.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1946-1954

(Millions of dollars)

Country or Area	1946	1947	1948	1949	1950	1951	1952	1953	1954	Change in 1954
United States	- 607	- 1,134	- 393	- 601	- 400	- 951	- 849	- 904	- 810	+ 94
United Kingdom	+ 500	+ 633	+ 486	+ 446	+ 24	+ 223	+ 388	+ 133	+ 232	+ 99
Other sterling area	+ 164	+ 242	+ 129	+ 135	- 23	- 24	+ 114	+ 83	+ 44	- 39
Other OEEC countries	+ 248	+ 276	+ 226	+ 185	+ 108	+ 223	+ 332	+ 173	+ 98	- 75
All other countries	+ 58	+ 32	+ 3	+ 12	- 43	+ 12	+ 179	+ 72	+ 5	- 67
All Countries	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 443**	**- 431**	**+ 12**

Exports to other sterling area countries, other O.E.E.C. countries, and the remaining overseas countries as a whole were reduced in each case. A considerable decline in wheat exports was primarily responsible for this, while motor vehicle exports also contributed to the decline. Exports of some wood and metal products, however, were higher, particularly to Western Europe. In contrast to the decline in exports, imports from these areas were either well maintained or higher, with increases particularly in agricultural products and non-metallic minerals. A sharp rise in the deficit on invisibles with Western European countries can be traced primarily to increased freight and shipping payments.

Both Canada's current account with overseas countries and the net capital movement from those countries were smaller than in 1953. As a consequence, exchange transfers in settlement of overseas balances, which had dropped in 1953 from a record post-war figure in excess of $1,000 million in the previous year, fell again in 1954 to total $516 million. An increase of $40 million in net multilateral receipts from the United Kingdom was more than offset by a decrease in receipts from other overseas countries.

Changes in the Current Account

Merchandise Trade

Fluctuations in the balance of merchandise trade had smaller effects on the current account balance in 1954 than in most years when these fluctuations have usually been much greater — being sometimes of dominating importance. Although there was a considerable contraction in 1954 in the value of both exports and imports this was to a large extent offsetting and the change in the merchandise balance was relatively small. The change in the balance as adjusted when taken into the balance of payments was from a deficit of $58 million in 1953 to a surplus of $13 million.

Only the leading factors contributing to the changes in the merchandise account are referred to in the following analysis. More extended analysis and comment on commodity trade will be found in the Review of Foreign Trade, also published by the International Trade Division.

Prominent among economic influences on Canadian trade in 1954 were the diverging trends in industrial activity in North America and Western Europe. While the rate of economic expansion was interrupted in America and there were declines in industrial activity, the general trend in Western Europe continued to be upward. Industrial production in most Western Europe countries rose to new peaks and the widespread prosperity was not accompanied by a return of balance of payments difficulties.

The effects of these divergent trends were concealed to some extent in the movements in the totals of Canadian exports to the various countries and areas shown in the balance of payments. For example, exports to overseas countries declined 7 per cent while exports to the United States were 4 per cent lower. Thus there was the apparent paradox of greater declines in exports overseas than to the United States at a time when production and incomes overseas in many countries were rising to new peaks, while there was some recession in the United States. This is because of the concentration of decline in several commodities like wheat and automobiles which were subject to special influences and are largely sold to overseas countries. Other commodities sold to overseas countries rose in value, and strength in these demands tended to offset some softening in demands for various raw materials in the United States.

A decline in exports of wheat from the exceptional levels in the previous two years was a reflection of a general decline in world trade in wheat. With improving crops abroad and generally large supplies, importing countries greatly reduced purchases in 1954. And with some countries like the United Kingdom this trend was accentuated by a reduction in stocks during the year.

The decline in Canadian exports of wheat and other grains was greater than the drop in total exports of all commodities. The increases in exports of other commodities were most substantial in forest products and in non-ferrous metals, particularly in trade with the United Kingdom and other overseas countries.

Although Canadian imports declined in 1954 the value was still higher than in any year before 1953. This decline was widely distributed among the different sources of supply. A predominant influence was the interruption in the rate of economic expansion in Canada which occurred in 1954. Although declines were general the more notable occurred in machinery and equipment which is an element in Canadian expenditures on investment; total Canadian expenditures on machinery and equipment declined appreciably in 1954. Another factor which seems to have been influential in the reduced level of imports was some contraction in 1954 in inventories, in contrast to the rise which in the previous year appears to have contributed to the exceptionally high level of imports. A lower level of industrial production in Canada, too, was a factor reducing demand for some imports. But at the same time other demands continued to sustain the volume of imports as well as other current transactions. Among these were the high levels of personal incomes and consumption which continued in Canada.

The volume of imports fell by 6.6 per cent, the first time since 1948 that the index has shown a decline. Import volume remained in excess of the years before 1953, however. The largest declines

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports
(1948 = 100)

Year and Quarter	Price Indexes		Terms of Trade	Volume Indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1953 I	119.2	108.5	109.9	98.2	138.7
II	119.0	109.2	109.0	119.5	168.7
III	118.5	110.3	107.4	117.9	152.5
IV	116.9	110.2	106.1	116.9	143.4
1954 I	115.2	109.2	105.5	95.5	128.3
II	116.3	110.4	105.3	110.6	153.9
III	115.0	110.3	104.3	110.4	136.4
IV	114.4	109.1	104.9	121.1	144.2

Note. Indexes indicate movements in unadjusted trade data.

in import volume were in the fibres and textiles, iron and steel, and non-metallic mineral groups. The decline of 3.2 per cent in export volume was more moderate than that in imports, and was heavily concentrated in agricultural products and iron products. While export prices fell by 2.7 per cent, import prices were stable. The result was that the terms of trade deteriorated by 2.8 per cent. The terms of trade had deteriorated in 1953 also, but it should be noted that they had attained an unusually favourable level in 1952.

The merchandise trade values shown in this report are adjusted for non-commercial items, defence payments, and duplication with other parts of the current account. The usual effect of these adjustments is to reduce imports far more than exports.[1] Thus the trade balances presented here will generally show larger surpluses or smaller deficits than those appearing in Customs trade returns, although changes in exports, imports, and the trade balance will usually not differ greatly.

The role of defence expenditures in the balance of payments was covered in the previous annual issue of this report. It may be noted here that payments for defence imports and exports are substituted in the balance of payments for the actual

1. In 1951, by contrast, the adjustments led to a reduction of $15 million in exports and an addition of about the same amount to imports. See the following paragraph.

STATEMENT 6. Adjustments to Commodity Trade, 1953 and 1954
(Millions of dollars)

Exports	1953	1954	Imports	1953	1954
Domestic exports in trade returns	4,117.4	3,876.1	Imports in trade returns	4,382.8	4,093.2
Exports of foreign produce	55.2	65.6			
Total exports	**4,172.6**	**3,941.7**			
Adjustments:			Adjustments:		
Tourist exports	- 3.2	- 3.0	Tourist imports	- 73.8	- 68.8
Settlers' effects	- 16.1	- 17.3	Settlers' effects	- 29.0	- 29.9
Private donations	- 3.0	- 2.7	Advertising	- 6.5	- 7.1
Warehousing	+ 6.2	+ 5.0	Warehousing	+ 14.2	+ 2.9
All other adjustments	- 4.7	+ 5.4	All other adjustments	- 78.1	- 74.0
Total adjustments	**- 20.8**	**- 12.6**	**Total adjustments**	**- 173.2**	**- 176.9**
Merchandise exports (adjusted) (Table I, item A1)	4,151.8	3,929.1	Merchandise imports (adjusted) (Table I, item B1)	4,209.6	3,916.3

physical imports and exports. The effects of this part of the adjustment largely cancel out in the cumulative balance for 1950-1954. In addition, imports for the account of foreign governments are deducted from recorded imports for balance of payments purposes. These two adjustments contributed about $80 million to the deficit in 1951, when defence payments exceeded actual defence imports. In 1952, however, these adjustments added about $100 million to the surplus of that year, and in 1953 and 1954 reduced the deficits by $60—$70 million in each case.

In evaluating the data for 1954 it should be noted that a change in import coding procedures had the effect of increasing the length of the June import month and the import year by about two working days. It is estimated that this change in itself would increase the value of June and annual imports by some $40 million. It would also have a corresponding effect on the leads and lags reflected in short-term capital movements.

The value of non-monetary gold available for export rose by $11 million to $155 million in 1954. The increase in 1954 was concentrated in the last three quarters, and reflects to an important extent the effects on output of the strike in the last half of 1953 and early in 1954. It should be added also that in 1954 the volume of new gold production available for export, as defined below, also exceeded the previous post-war peak of 1952. The value of this item has not changed greatly over the past four years (except for the effects of the strike in 1953) in contrast to the increases from 1946-1950. The fixed U.S. dollar price for gold in the face of the general increase in costs, and the discount on the U.S. dollar in terms of Canadian funds have limited increases in this current account item. Since November 1, 1951, this item has included not only the sales by the Mint to the Exchange Fund and a small amount exported in the form of concentrates, but also sales abroad of commercial gold by producers. Increases in stocks held at the Mint in safekeeping for the mines are excluded.

STATEMENT 7. Principal Elements of Canada's Current Account with All Countries, 1950-1954

(Millions of dollars)

Account	1950	1951	1952	1953	1954[2]	Change in 1954
Exports (adjusted)[1]	3,139	3,950	4,339	4,152	3,929	- 223
Imports (adjusted)	3,129	4,097	3,850	4,210	3,916	- 294
Balance on commodity trade	**+ 10**	**- 147**	**+489**	**- 58**	**+ 13**	**+ 71**
Gold production available for export	+163	+150	+150	+144	+155	+ 11
Travel expenditures	+ 49	- 6	- 66	- 63	- 80	- 17
Interest and dividends	- 384	- 335	- 268	- 239	- 288	- 49
Freight and shipping	- 17	- 3	+ 8	- 56	- 46	+ 10
Inheritances and migrants' funds	- 4	+ 7	- 9	—	- 5	- 5
All other current transactions	- 151	- 183	- 140	- 171	- 180	- 9
Balance on non-merchandise transactions	**- 344**	**- 370**	**- 325**	**- 385**	**- 444**	**- 59**
Current account balance	- 334	- 517	+164	- 443	- 431	+ 12

1. Excluding Canadian Mutual Aid to NATO countries.
2. Subject to revision.

Travel Expenditures

There was an increase in the size of the deficit on travel account with all countries due mainly to a rise in Canadian travel expenditures in overseas countries.

The travel account with the United States showed comparative stability in the face of the recession in business in North America. A slightly larger deficit resulted from small changes in both receipts and payments. Nevertheless the total value of expenditures in Canada of travellers from the United States was virtually unchanged in total. This was possible as personal incomes and expenditures on consumption remained high and some types of traffic between the two countries rose in volume. Among traffic showing declines was the number of United States automobiles entering Canada on travellers vehicle permits. This important group of travellers, which is a source of a large part of the summer travel business, only receded 2% in number and remained well above the totals in any earlier year.

Canadian travel expenditures in the United States were also maintained at a high level but the slight rise in total over that of the previous year contrasted with the sharp rises characteristic of preceding years since 1948. Purchases declared by returning Canadian travellers were moderately lower than in the previous year.

The rise in Canadian travel expenditures in countries other than the United States was widely distributed. There was a considerable growth in the volume of Canadian travel to most areas. But the largest part of Canadian expenditures overseas continued to be in the United Kingdom and in Continental Europe. Almost one-fifth of the external expenditures of Canadian travellers are now in countries other than the United States, a ratio which is rapidly growing with improving transatlantic transportation facilities and growing income.

STATEMENT 8. International Travel Expenditures between Canada and Other Countries, 1948-1954

(Millions of dollars)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
1948	267	113	+ 154	12	21	- 9	279	134	+ 145
1949	267	165	+ 102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954[1]	280	313	- 33	22	69	- 47	302	382	- 80

1. Subject to revision.

Income Account

Net payments for interest and dividends rose by $49 million in 1954 to $288 million. Both interest and dividend receipts were lower, and payments in each case higher. The increase in the deficit in 1954 is in contrast to the tendency from 1950 to 1953 when, in spite of the rising trend of Canada's net international indebtedness, the deficit on income account had been falling.

Interest receipts have been at high levels in recent years, mainly because of increased receipts on government loans compared to the period before 1950. Such receipts continued at the previous year's level in 1954. But interest on Canadian holdings of United States Government securities declined sharply in 1954, primarily because of reduced rates in the United States. Dividend receipts have been unusually high in the past few years, partly because of higher earnings but mainly because of transfers of accumulated past earnings by Canadian subsidiaries abroad. The decline in 1954 was restricted to a few companies, with most of the major Canadian companies reporting dividend receipts showing increases. While receipts from the United States fell, those from overseas countries were higher.

One of the effects of the large capital inflows is apparent in interest payments, which have risen steadily with the large net new issues placed abroad in recent years. Dividend payments, on the other hand, are not contractual payments and are not closely related to the current levels of foreign financing. In spite of the rise in foreign indebtedness, dividends fell until 1954. The large payments in 1950-51 were unusual, it is true, in that they partly reflected timing changes on the part of exchange control regulations. Nevertheless, payments in recent years have been substantially below earnings accruing to non-resident shareholders. Both the recency of many of the investments and the retention of funds to expand investment have meant that the increase of foreign investment in Canada in recent years has not yet been reflected in dividend payments to an important extent.

In 1954, in spite of a decline of 7 per cent in total Canadian corporate profits after taxes, dividend payments to non-residents increased. An important part of the rise was due to increased dividend rates by a number of public companies partly owned by non-residents, and increased holdings of stocks of such companies by non-residents. Transfers of earnings by subsidiaries to parent companies also rose moderately on balance, although there were wide and opposite changes by industrial groups in the past year. Dividend payments were higher not only to the United States, but to the United Kingdom and some other European countries which have been increasing their investment in Canada recently.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and All Countries, 1950-1954

(Millions of dollars)

Year	Receipts		Payments		Balance
	Interest	Dividends	Interest	Dividends	
1950	28	63	109	366	- 384
1951	53	62	114	336	- 335
1952	60	85	115	298	- 268
1953	63	102	121	283	- 239
1954[1]	53	90	134	297	- 288

1. Subject to revision.

Freight and Shipping Account

While the deficit on freight and shipping account in 1954 was less than in the preceding year it remained high in comparison with earlier years. The deficit contrasts particularly with surpluses in the period up to 1949, and the effects of this transition upon the current account balance in the interval have been of major proportions.

The surplus of $50 million in 1949, for example, contrasts with a deficit of $46 million in 1954. Underlying factors behind this change in the last five years have been the greater growth in the volume of imports than of exports and a drastic reduction in the size of the Canadian Merchant Marine, and the conditions under which the remainder of the Fleet operates. Also of significance to the size of receipts and payments have been the variations in the commodity composition of trade and the effects that this has on inland transportation both in Canada and the United States. Most of the deterioration in the balance during the five years has been in the account with overseas countries, although there has also been a broadening of the deficit with the United States.

A decline in the deficit between 1953 and 1954 from $56 million to $46 million was the result of wide change in the bilateral unbalance of the freight account. A sharp reduction in the size of the deficit with the United States was mainly offset by a fall in the balance of receipts by Canada in the accounts with overseas countries. The smaller deficit with the United States in 1954 was all due to reduced payments. Inland freight costs in the United States were lower with a reduced volume of commodities, particularly in the case of some like coal where freight costs are relatively high. Payments to the United States for the charter of vessels were also much less in 1954 but this was more than offset by larger payments to other countries for chartering vessels. The latter was one of the main factors contributing to the decline in Canada's surplus in overseas countries in 1954. In addition, there were some reductions in receipts from the operations of Canadian shipping companies and from inland freight on exports to overseas countries. At the same time it will be noted that the earnings of Canadian operated vessels from exports and from revenues on traffic carried between foreign ports were relatively well maintained even though there were numerous transfers of the registry of Canadian vessels to British registry for operation by British managers. This was partly because of earnings of Canadian operators of foreign vessels whose revenues are included in this series for balance of payments purposes, as their payments for the chartering of the vessels are included among debits. A factor leading to some reductions in the last few years in earnings on inland freight on exports taken into the freight account has been a change in the circumstances of sale of some commodities. This had accompanying effects upon the freight costs included in the valuation of exports.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1950-1954

(Millions of dollars)

Item	1950	1951	1952	1953	1954[1]
Receipts by Canada					
Ocean Shipping:					
Canadian operated ships:					
Gross earnings on exports	48	54	56	58	61
Charter receipts	6	12	13	7	3
Revenues between foreign ports	16	34	33	17	16
Sub-Total	70	100	102	82	80
Expenditures of foreign ships in Canada	38	40	43	41	35
Gross Shipping Receipts	**108**	**140**	**145**	**123**	**115**
Inland freight on exports	142	177	201	161	159
Intransit revenues	28	28	29	29	27
Other receipts	6	6	8	5	8
Gross Receipts (Table I, item A6)	**284**	**351**	**383**	**318**	**309**
Payments by Canada					
Ocean Shipping:					
Expenditures abroad of Canadian shipping companies	20	33	64	60	67
Charter payments	18	27			
Freight on imports via Canadian ports	66	76	71	75	66
Gross Shipping Payments	**104**	**136**	**135**	**135**	**133**
Inland Rail Freight in U.S. on Imports:					
Coal via vessel	53	49	48	48	39
Coal via rail	40	38	33	26	22
Other rail freight	80	97	117	121	112
Sub-Total	173	184	198	195	173
Miscellaneous Payments	24	34	42	44	49
Gross Payments (Table I, item B6)	**301**	**354**	**375**	**374**	**355**

1. Subject to revision.

Inheritances and Migrants' Funds

Net transfers of inheritances and migrants' funds, which were in balance in 1953, showed a small deficit of $5 million in 1954.

The reduced volume of immigration in 1954 led to a decline in immigrants' funds by $3 million to $71 million. The decline in funds was moderated by an increase in immigration from the United States, which involves high average transfers of funds, and some loosening of overseas restrictions on transfers of funds toward the year end. By contrast, payments for inheritances and emigrants' funds are estimated to have risen in 1954, partly in response to a higher volume of emigration to the United Kingdom.

Miscellaneous Current Transactions

Throughout the post-war period the deficit on miscellaneous current transactions has been second only to that of the income account. The deficit on these transactions since 1950, moreover, has been approximately double that prevailing in the earlier post-war years. The appearance of current account deficits since 1950 has reflected not only the reduction in trade balances, but the appearance of deficits on travel and freight and shipping accounts and the increased deficit on miscellaneous transactions.

Miscellaneous receipts fell more than payments in 1954, increasing the deficit on this account to $180 million. Reduced defence spending in some projects in Canada by foreign governments was the major factor decreasing receipts. Canadian Government spending abroad was also lower in 1954. The latter decline was restricted to large non-recurring defence payments of a service nature in 1953, which were recorded in the account with the United Kingdom, and to decreased official contributions. Such contributions are mainly an offset to exports under the Colombo Plan to other sterling area countries. Other government expenditures abroad were generally higher. It should be noted that the government transactions on this account exclude merchandise transactions, Mutual Aid to NATO countries, and the servicing of debt.

Personal and institutional remittances have been at high levels in recent years, reflecting the large number of recent immigrants living in Canada and the technical and military personnel from the United States. Increased transfers of income by financial institutions from abroad led to a rise in miscellaneous income receipts, while miscellaneous income payments have also been rising with the increased foreign investment in Canada.

The major factor in the continuing large deficit on miscellaneous transactions is business services and related transactions. These terms cover a wide variety of services, which are incurred to an important extent in connection with foreign trade and particularly foreign investment. The continuing deficit on this account, as in the case of interest and dividends, is primarily a reflection of Canada's net debtor position. The borrowing of technology from abroad through subsidiaries and branches or by lease, the use of the administrative and technical services of other countries, and close business contacts generally have led to substantial net payments for business services. Both receipts and payments for such services were higher in 1954, as in recent years, as direct investments in Canada and abroad have risen and production and investment generally have been high.

STATEMENT 11 Miscellaneous Current Transactions with All Countries

Revised 1953 and Preliminary 1954

(Millions of dollars)

Item	1953		1954		
	Receipts	Payments	Receipts	Payments	Balance
Official contributions	—	25	—	11	- 11
Government transactions, n.o.p.	149	128	118	109	+ 9
Personal and institutional remittances	22	55	22	57	- 35
Miscellaneous income[1]	30	35	34	37	- 3
Business services and other transactions	118	247	124	264	- 140
Total (Table I, items A11 and B9, 11)	**319**	**490**	**298**	**478**	**- 180**

1. Including transfers of branch profits by insurance companies and banks.

Capital Movements

Long-term inflows of foreign capital continued to be the dominant characteristic of the capital account. But there was a hesitation in the flow of direct investment funds, which for the first three quarters of the year was at an annual rate $100 million lower than in 1953. In the final quarter of 1954, the inflow set a new record and the shortfall for the year was reduced to $50 million. Transactions in Canadian securities led to a somewhat larger inflow than in 1953. Sales abroad of new issues of Canadian bonds and debentures were larger than in the previous year, but the increase was offset by high repatriation through retirements and trading. As a result, receipts from all transactions in Canadian bonds and debentures were lower than in 1953. A very substantial growth occurred in net sales abroad of Canadian stocks and accounted for the increase in the capital inflow from all transactions in Canadian securities. Private short-term capital movements were inwards, on balance, after two years of very substantial outflow, whereas the operations of the Exchange Fund led to a substantial outflow in contrast to the inflow recorded in 1953.

There continued to be a significant net movement of capital from overseas countries although, on balance, it was smaller than in 1953. This decline was, however, due chiefly to movements of a short-term character, mainly in connection with the financing of trade, or with interest arbitrage.

Direct Investment in Canada

The movement of capital into Canada for direct investment in foreign-controlled enterprises has been a dominant characteristic of the Canadian balance of international payments in recent years. Foreign capital has been an important though minority participant in the great expansion which has occurred in Canadian industry, and capital transfers have been a source of great strength in the value of the Canadian dollar on the world's exchange markets. In 1954, for the first time in the post-war period, the annual net movement of foreign direct investment capital into Canada fell. The net inflow of $376 million represented a decline of $50 million or about 12 per cent compared with 1953. It should be noted, however, that the 1954 inflow remained significantly higher than the level of years earlier than 1953, and that the import of $138 million recorded in the fourth quarter actually set a new record.

United States capital accounted for $291 million or slightly over three-quarters of the net movement, a somewhat lower proportion than in previous years. Inflows from the United Kingdom reached $63 million in 1954, an increase of $18 million over 1953, while the movement from other overseas countries fell from $35 million to $22 million.

Some detail of the post-war movement of direct investment capital from the United States will be found in statement 12 which also gives an indication of the other factors contributing to the growth in the book value of this type of investment. Financing of the petroleum industry in Canada led to record capital inflows of $207 million, compared with $158 million in 1953. In the nine years since the end of World War II, the gross inflow for petroleum exploration, development and refining, has totalled $827 million, of which one-quarter occurred in 1954. Inflows for mining fell from $103 million in 1953 to $61 million in 1954; this was the first annual decline recorded in the post-war years and it coincided with the commencement of operations by some of the major new developments. The inflow for investment in the pulp and paper industry rose to $23 million reflecting in the main the acquisition from Canadian owners of controlling interest in a Canadian company. Gross inflows for all other direct investments totalled $55 million, a decrease of $35 million from 1953 when inflows to the chemical manufacturing industry and to merchandising establishments were considerably larger than in 1954.

The gross inflow from the United States totalled $346 million, but there were capital outflows of $55 million representing the return of capital arising both from normal repayments and from such other sources as the raising of funded debt in Canada, and the sale of enterprises or of minority interests in them to Canadians. Other capital movements are estimated to have added an additional $38 million to United States investment in controlled enterprises in Canada and the retention of profits and all other factors are tentatively estimated to have added $191 million. The growth in book value of United States direct investment in Canada is consequently placed at $520 million in 1954, bringing the aggregate value at the year end to $5,700 million.

The flow of direct investment capital from the United Kingdom increased by 40 per cent over 1953, to total $63 million in 1954. At this rate, it represented about 17 per cent of the net movement from all countries. The areas of British investment were in distinct contrast to those of United States capital. Net inflows to manufacturing industries were actually higher from the United Kingdom than from the United States, representing over 60 per cent as compared with less than 15 per cent of net transfers from the two countries respectively. But the mining sector, including petroleum exploration and development, received about 80 per cent of the flow from the United States and less than 10 per cent of the net movement from the United Kingdom. Major amounts of British capital were made available for the manufacture of chemical, paper, and metal products, merchandising, finance, construction, and the aircraft industry.

Movements of direct investment capital from other overseas countries amounted to $22 million, all of which came from European countries. This inflow was smaller than in 1953 when there were exceptionally large transfers to finance a new petroleum company, but it was much larger than in earlier

post-war years. About one-half the net inflow was for manufacturing industries and one-quarter each for mining (including petroleum), and for other enterprises.

In attempting to evaluate the significance of direct investment inflows as an expansionist force in the domestic economy, it should be borne in mind that by no means all the inflows lead to new capital formation. In the petroleum field particularly, payments for royalties, rentals, and the purchase of leases and land, represent important capital expentures having no direct counterpart in Gross Domestic Investment. Other parts of capital inflows may be absorbed in the need for increased financial working capital. A significant development in 1954 was an increasing tendency for non-residents to acquire existing Canadian-owned assets. This was particularly evident in the inflows for manufacturing, real estate, and construction. On the other hand, repurchases in whole or part by Canadians of foreign investments in Canada were also much larger than in 1953. Compared with the previous year, on balance, perhaps as much as $25 million more of the inflow was for the net purchase of existing assets other than land for new enterprises. Taking into account also the lower level of inflows, there seems to have been a decline in the primary influence of foreign direct investment inflows on Gross Domestic Investment of the order of $100 million in 1954.

STATEMENT 12. United States Direct Investment in Canada, 1946-1954

(Millions of dollars)

Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1946-1954
Inflow of new capital:										
Petroleum exploration, development and refining	2	12	23	59	98	140	128	158	207	827
Transportation	—	—	—	—	18	10	51	20	—	99
Mining	—	2	5	10	30	37	99	103	61	347
Pulp and paper	20	11	14	3	9	31	7	1	23	119
Other manufacturing, and miscellaneous	41	41	37	42	88	91	78	90	55	563
Gross inflow	63	66	79	114	243	309	363	372	346	1,955
Return of capital	25	8	18	30	43	39	44	26	55	288
Net capital inflow for direct investment (Table I, item D1)	38	58	61	84	200	270	319	346	291	1,667
Net other identified capital movements affecting the investment of U.S. residents in U.S.—controlled enterprises	- 43	- 35	20	17	17	34	161	21	38	230
Net capital inflow	**- 5**	**23**	**81**	**101**	**217**	**304**	**480**	**367**	**329**	**1,897**
Retention of profits, and other factors including revaluations, reclassifications, and similar accounting adjustments	129	97	178	187	114	167	159[1]	277	191[2]	1,499[2]
Net increase in book value (Table VIII)	**124**	**120**	**259**	**288**	**331**	**471**	**639**	**644**	**520**[2]	**3,396**[2]

1. This figure is affected by unusually large reclassifications between direct and portfolio investments.
2. Provisional estimate subject to revision.

Note. In addition to investment in new construction and new machinery and equipment included in gross domestic investment as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

Direct Investment Abroad

The net outflow of capital for direct investment in Canadian enterprises abroad totalled $74 million, some $11 million higher than was recorded in 1953, and only slightly smaller than in 1952. The United States was the principal area of investment, accounting for $44 million. Transfers to the United Kingdom aggregating $16 million were significantly higher than in recent years but covered the acquisition of some assets in other parts of the world. Outflows to other overseas countries were considerably lower than in 1953, mainly as a result of completion of some expansion programmes.

The beverage industry abroad, in which Canadians have long held an important interest, was the largest recipient of direct investment capital from Canada in 1954. Other major exports of Canadian capital took place in connection with the farm implements industry, petroleum pipelines, and mining and petroleum development.

Trade in Outstanding Canadian Securities

For the first time since 1951, trade in outstanding securities led to a capital import in 1954. A net inflow of $55 million resulted from the record volume of trading which reached nearly $1,200 million. This inflow succeeded outflows aggregating $125 million in the two preceding years. As has been the case each year since 1950, Canadians repurchased government bonds, but sold corporate bonds and

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1954

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Issues	Proceeds of New Issues	Retirements	Total
By Type of Security				
Bonds and Debentures:				
Government of Canada, direct	- 27	+ 5	- 59	- 81
Government of Canada, guaranteed	- 31	+ 4	- 10	- 37
Provincial government (including guaranteed)	- 29	+ 126	- 63	+ 34
Municipal government	+ 3	+ 45	- 29	+ 19
Railways, not guaranteed by Government	+ 2	+ 25	- 3	+ 24
Other corporations	+ 16	+ 100	- 30	+ 86
Sub-total: Bonds and Debentures	**- 66**	**+ 305**	**- 194**	**+ 45**
Common and Preference Stocks	+ 121	+ 21	- 8	+ 134
Total (Table I, items D3, 4, 5)	**+ 55**	**+ 326**	**- 202**	**+ 179**
By Country				
United States	- 2	+ 294	- 184	+ 108
United Kingdom	+ 21	+ 20	- 12	+ 29
Other Sterling Area Countries	—	—	- 4	- 4
Other OEEC Countries	+ 12	+ 12	- 1	+ 23
Other Countries	+ 24	—	- 1	+ 23[1]
Total (Table I, items D3, 4,5)	**+ 55**	**+ 326**	**- 202**	**+ 179**
By Quarter				
First quarter	+ 16	+ 174	- 25	+ 165
Second quarter	+ 21	+ 93	- 75	+ 39
Third quarter	+ 1	+ 35	- 48	- 12
Fourth quarter	+ 17	+ 24	- 54	- 13
Total (Table I, items D3, 4, 5)	**+ 55**	**+ 326**	**- 202**	**+ 179**

1. Including net increase of $23.5 million Government of Canada bonds held by International Bank for Reconstruction and Development.

stocks. While the rate of repatriation of government (and municipal) bonds, $84 million in 1954, was considerably higher than in 1953, there was a marked growth in sales to non-residents of securities of Canadian corporations. These included $121 million of common and preference stocks. It was this development which led to the capital import of $55 million in contrast to an outflow of $31 million in 1953. The general pattern of trading over 1954 was one of increasing volume and increasing disparity between the balances on account of transactions in Canadian stocks and in Canadian bonds and debentures. As a result of the divergent movements, there were net inflows of capital in the first and second quarters of 1954; in the third quarter there was virtual balance, and in the final quarter a net inflow of capital again resulted.

Trading in outstanding Canadian issues between Canada and the United States led to a small outflow of $2 million capital, in contrast to the outflow of $80 million recorded in 1953. Perhaps the outstanding development in security trading during the year was a marked revival of interest of United States investors in the equity securities of Canadian corporations. This led to net sales of $84 million of common and preferred stocks compared with $6 million in 1953. Contributing to the development was a change in United States administrative arrangements which facilitated the formation of Canadian diversified management investment companies with important tax advantages to United States investors. Newly formed companies of this type, which raised more than $125 million of United States capital during the year, are treated as residents of the United States for the purposes of Canadian balance of payments statistics.

The inflow of capital arising from sales of Canadian stocks to the United States was more than offset by the repatriation of Canadian bonds and debentures which totalled $86 million, or slightly more than in 1953. Net repurchases of Government of Canada direct debt fell and there were net sales of municipal and corporate issues but market repatriation of government guaranteed and provincial issues occurred on a relatively large scale.

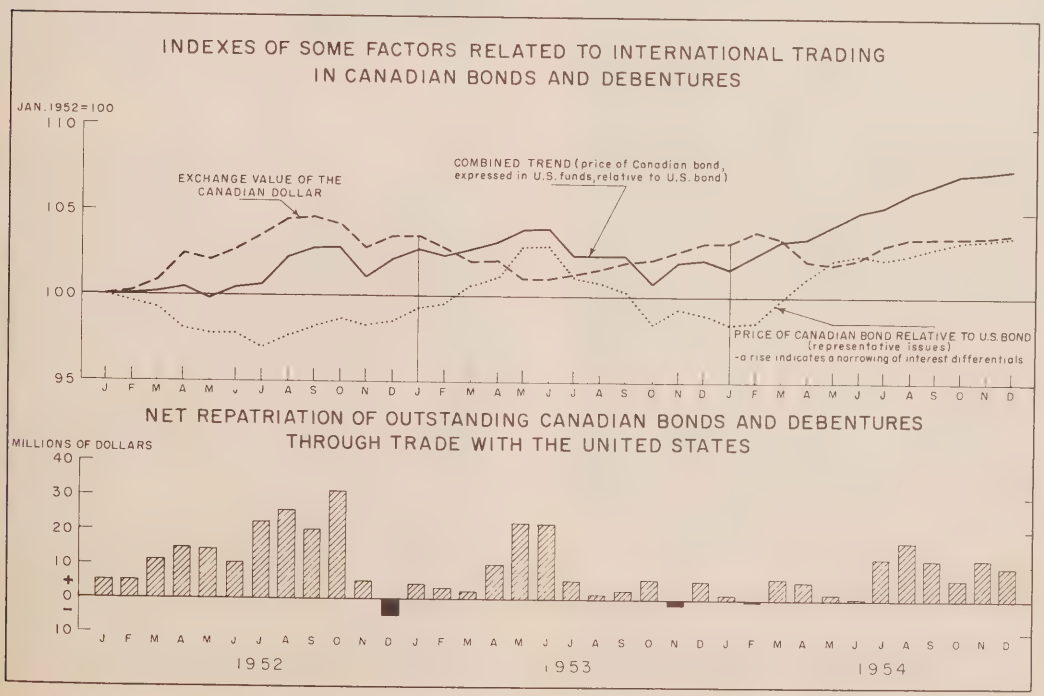
For the second successive year since 1937, Canada had a sales balance from security trading with the United Kingdom, although the capital inflow of $21 million did not quite reach the total of $27 million recorded for 1953. In that year, however, net sales consisted of $20 million Canadian bonds and debentures, and of $7 million Canadian common and preference stocks. In 1954, Canadian equities attracted greater attention from British investors, and, on balance, alone accounted for the net capital

movement. The year 1954 was the first full year of trading since the withdrawal by the United Kingdom of special restrictions imposed on the switching abroad of Canadian securities. The volume of trading in outstanding Canadian securities between Canada and the United Kingdom continued to grow, rising from $71 million in 1953 to $127 million in 1954. This was over four times the rate prevailing in 1951.

Trade in outstanding Canadian securities with other overseas countries led to a net capital inflow of $36 million. This sales balance was $14 million larger than in 1953, and represented a new record. About $24 million of the total was, however, of a special character, representing the employment in Government of Canada obligations of funds raised in the Canadian capital market by the International Bank for Reconstruction and Development. Transactions with other holders resulted in a repatriation of Government of Canada direct debt, but there were net sales of other types of bonds and debentures and of Canadian stocks. The sales balance of $16 million on account of stocks is larger than in either 1953 or 1952, but fell well short of the record figure of nearly $27 million reached in 1951.

The heavy net sale abroad of outstanding Canadian stocks was undoubtedly a factor contributing to an increase in common stock prices. These rose by more than one-third as measured by the DBS Investors' composite series, which during the year surpassed the twenty-five year peak touched in September 1929. But any attempt to assess the role of non-residents in the rise in the Canadian market must take into account the selective investment policy followed by the new investment funds which are generally understood to have concentrated on the higher grade Canadian issues. Nor should it be overlooked that rising stock prices were typical of the United States and practically all markets throughout the world. The net sales to non-residents represented less than four per cent of the quoted value of listings on the principal exchanges in Canada. By no means all of the issues listed are, however, "in the market", and sales to non-residents appear to have accounted for nearly one-fifth of the aggregate value of transactions on the principal exchanges in Canada in 1954, compared with one-sixth in 1953.

Both the exchange rate and the differential in interest rates are related to international trade in bonds and debentures, but it is not generally possible to identify the degrees to which they are cause or effect. The accompanying chart indicates these relationships over the years 1952 to 1954. Indexes are shown for the exchange value of the Canadian dollar, the price in Canadian dollars of a representative Canadian Government long-term bond (Canada 3/61-66) relative to the price in U.S. dollars of a roughly comparable United States Treasury issue (2½/63-68), and an index combining these two series. The combined index measures changes in the price to a United States investor of the Canadian issue, in terms of the roughly comparable United States issue, while the other indexes are approximate measures of the components of exchange rate and interest rate differentials.



The changing interplay of these elements will be apparent from the chart. Through 1952, the higher value of the Canadian dollar on the exchange markets was the factor contributing to the relative rise in the price of Canadian bonds and debentures to United States investors. The heavy repatriation of Canadian bonds and debentures in 1952 was undoubtedly influenced by this rise. In the first half of 1953, the Canadian dollar weakened somewhat, but interest rates in the United States rose much more rapidly than in Canada and the narrowing of the spread between them was more than sufficient to offset the effect of the exchange rate. A second wave of repatriation of Canadian bonds and debentures occurred at this time as United States investors took advantage of the favourable opportunity. It seems likely that this movement was a factor in weakening the Canadian dollar at this time. Policies adopted by the United States authorities eased the pressure on the United States money market in the second half of the year. The interest differential widened, the rate of repatriation of Canada bonds and debentures contracted, and the Canadian dollar strengthened.

Over 1954, the exchange rate was comparatively stable. Interest rates in both Canada and the United States fell, but the decline in Canada was much the larger. The differential between average yields on the Canadian and United States long-term Government issues used in the chart fell to less than four-tenths of one percentage point in the final month of 1954, a spread narrower than for any month in nearly seven years. This contraction in interest rate differentials contributed to a substantial volume of repatriation of Canadian bonds and debentures from the United States.

While the series shown on the chart and discussed above are among the more significant factors related to international trading in Canadian bonds and debentures, there are many other influences which are not reflected. Among these are the existence of issues payable in foreign currencies, and corporate issues having conversion privileges or carrying stock purchases warrants, to which special considerations may apply. Moreover, the United States portfolio of Canadian bonds and debentures payable in Canadian dollars has been greatly reduced in the past few years and it may be questioned whether repatriation in the future may be as readily induced by changes in exchange and interest rates as when holdings were larger.

More extensive analysis of Canada's international security trading will be found in the DBS report on "Sales and Purchases of Securities between Canada and other Countries, December, 1954, and Review of Security Trading during 1954".

New Issues and Retirements of Canadian Securities

The net inflow to Canada in 1954 of $179 million from all Canadian portfolio security transactions was much larger than the balance on account of trade in outstanding issues. The sale abroad of new issues led to a capital inflow of $326 million, while retirements of foreign held debt resulted in an outflow of $202 million. Net new issues of $124 million in 1954 were $65 million lower than in 1953, notwithstanding the fact that special repatriation through negotiated repurchase of United States currency issues of the Government of Canada amounted to only $21 million compared with $73 million in the earlier year. The decreasing importance of foreign investors as a source of debt financing is indicated by the fact that only about 12 per cent of the increase in outstanding Canadian provincial, municipal and corporate funded debt originated from net new issues to non-residents. In the previous year, the share of non-residents was more than double this figure. Provincial governments, which on balance borrowed nearly one quarter of their requirements from non-residents in 1954 compared with more than forty per cent in 1953, were the class of borrower with the highest share of financing provided from abroad.

More than nine-tenths of the new issues sold abroad were purchased by United States investors, and a similar proportion of the securities retired were owned in the United States. About eight-tenths of the bonds sold and seven-tenths of those retired provided for payment in foreign currency.

Most of the sales of new issues took place in the early months of the year. The volume declined as the margin between interest rates in Canada and the United States narrowed, but there continued to be inflows as a result of deferred delivery agreements, participation in some Canadian stock issues, and other special situations leading to the placing of issues on the New York market.

Transactions in Foreign Securities

Canadians continued, on balance, to dispose of foreign securities through sales abroad of outstanding issues, giving rise to capital inflows of $7 million, mainly from the United States. This movement was confined to the first half of the year, and in the last half there was a net capital outflow of $6 million, principally for the purchase of United States stocks. The volume of trading has more than doubled since 1952, but a substantial part of this increase undoubtedly reflects the sharp rise which has occurred in security prices.

Canadian purchases of foreign new issues amounted to $33 million. The total included an issue of $25 million Canadian currency bonds in the Canadian capital market by the International Bank for Reconstruction and Development. Purchases of $1 million of foreign stocks and $7 million of foreign bonds made up the remainder of this account. Retirements of Canadian-owned foreign securities totalled $2 million. As a result of all transactions in foreign portfolio securities in 1954, there was a net capital outflow of $24 million; transactions in 1953 were in balance.

Loans by Government of Canada

Repayments on Canada's war and post-war loans to overseas governments contributed a capital inflow of $72 million in 1954. This was $15 million smaller than in 1953 when there were unusually large repayments by the United Kingdom under an agreement for final settlement of the Canadian interest free loan of 1942. Principal was received from the United Kingdom in the amount of $45 million and from Belgium, France, Indonesia, the Netherlands, Norway, and the U.S.S.R. in the amount of $27 million. A further $35 million was received by way of interest and is included as a current account receipt.

In the five years since the end of 1949, Canada's outstanding loans to other governments have been reduced from $2,000 million to $1,705 million. The most important debtor is the United Kingdom which accounted for $1,247 million of the total debt. Post-war loans outstanding to other governments under Part II of the Export Credits Insurance Act amounted to $417 million, and agreed payments of principal due in 1954 were met on $358 million on these loans. Other loans outstanding at the year end amounted to about $41 million and included $31 million of inactive loans made after the war of 1914-18.

Change in Canadian Dollar Holdings of Foreigners

Non-residents added $22 million to their holdings of Canadian dollars in the form of bank and other deposits and treasury bills in 1954. Over half the increase was for the account of United States residents. During the first quarter of the year, holdings were reduced by $18 million, but non-residents chose to add, on balance, to their holdings in each subsequent quarter. Total holdings at the year end amounted to about $340 million.

Change in Official Holdings of Gold and Foreign Exchange

Official holdings of gold and United States dollars were increased substantially during 1954 resulting in an outflow of $121 million in the capital account with the United States. There was also a net outflow of $3 million to the United Kingdom financing a modest increase in holdings of sterling in official accounts. This capital export in the first quarter was only $4 million but in the second it rose to $37 million and in the third to $38 million notwithstanding a substantial transaction of official debt repatriation in that quarter. In the final three months of the year, the outflow was $45 million.

Holdings of gold and United States funds are shown in terms of United States dollars in table VI. The net increase during the year of $124 million was the largest since official exchange rates were withdrawn in 1950, and brought total holdings to a record figure of $1,943 million at the end of 1954. The variation between the high and low month-end figure amounted to $132 million or somewhat more than the fluctuation during 1953. Holdings of sterling are limited to working balances and were of the order of $12 million at the end of 1954.

The official exchange policy was re-affirmed by the Minister of Finance in the course of his recent Budget address:

> "There has been no change in the policy of the government to allow the rate of exchange to be determined by the sum total of the forces operating in the exchange market, including of course the influence of fiscal and monetary conditions. The resources of the exchange fund are not used to reverse persistent trends but only to contribute to orderly conditions by limiting excessive short-run movements in either direction which might otherwise occur".[1]

Other Capital Movements

A small net inflow of capital, amounting to $4 million, resulted from all other capital movements in 1954. This near-balance followed two years in which the net outflow aggregated nearly $700 million, a period which in turn was preceded by heavy inflows. A wide variety of movements is covered in the data, and some of the more significant detail appears in statement 14. While most movements of long-term capital are treated as separate items in Canadian balance of payments statements, there are certain transactions which do not fall within the regular categories. Examples include loans by agencies of the United Kingdom and United States Governments to Canadian corporations, generally associated with commodity supply contracts, other long-term loans between unrelated parties, capital movements by insurance company branches and by trusts, and deferred transfers by migrants. Although nominally short-term, the change in short-term Canadian dollar holdings of the International Bank for Reconstruction and Development may be regarded as representing on balance the implementation of Canada's long-term subscriptions to that institution.

It is in the other groups of transactions, which are mainly of a short-term nature, that most of the volatility of the item as a whole lies. The statement indicates that there has been a very large growth in bank balances and other short-term funds of Canadians abroad. Increases were to have been expected as a result both of the return of Canadian banks to the role of principals in the exchange market in 1950, and the abolition of exchange control the following year, and of the need for increased working balances associated with the generally rising value of Canada's international trade over the period. The balances have also been affected by the varying exchange value of the Canadian dollar, not only through a tendency from time to time to defer transfer of receipts from abroad, but also through the operation of the forward exchange market. When the banking system is, on balance, a forward seller of exchange, equivalent holdings of

1. House of Commons Debates, Tuesday, April 5, 1955.

STATEMENT 14. Estimated Composition of "Other Capital Movements" 1950-1954

Note: A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

	1950	1951	1952	1953	1954	Total 1950-1954
Transactions with all countries:						
Loans by Government of United Kingdom to a Canadian Corporation	—	25	22	20	—	67
Other long-term capital transactions	- 5	3	- 24	- 10	9	- 27
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development	- 5	- 4	- 1	- 18	- 13	- 41
Bank balances and other short-term funds abroad (excluding official reserves)[1]	- 7	- 14	- 168	- 79	- 73	- 341
Borrowings by Canadian finance companies	...	...	35	19	11	65
All other transactions including changes in loans and accounts receivable and payable[2]	209	118	- 375	- 117	70	- 95
Total (Table I, item D 17)	**192**	**128**	**- 511**	**- 185**	**4**	**- 372**

1. Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
2. Includes also balancing item representing difference between measurements of current and capital accounts.

exchange are acquired to meet the future commitment. The maintenance of overall balance in the trading positions of the chartered banks consequently leads to capital outflows or inflows as the banks' forward exchange commitments to customers are increased or decreased. The short-term money market is also an important factor in the holding of foreign funds. Towards the end of 1954, treasury bill yields in the United Kingdom began rising at a time when the Canadian yields were falling. As a result of this development it is estimated that, in December, Canadian residents purchased nearly $20 million of United Kingdom treasury bills.

Canadian companies in the consumer credit field have been important borrowers of short-term funds abroad in recent years, and these transactions are shown separately in the statement. The final component includes all other short-term loans and accounts receivable and payable. These open account Canadian assets and liabilities aggregate many hundreds of millions of dollars. Changes in them may occur for a variety of reasons. The timing of settlements rarely coincides with physical movements as recorded in the current account and, as terms of payment relating to different commodities also vary considerably, a change in either the composition or flow of imports or exports usually affects the balances due or receivable on open commercial accounts. Changes may also occur in the process of financing production and distribution, and definite seasonal patterns exist with respect to some commodities such as coal. Even long-term capital requirements may be met for limited periods through changes in open account balances, particularly in periods of short supply or in the case of parent-subsidiary transactions.

As the statement shows, the heavy inflows on open account in 1950 which were typical of all capital movements in that year, continued into 1951. The restrictive bank lending policies in force in Canada at that time contributed to inflows which more than offset any withdrawal of the speculative inflows of 1950. In 1952, as credit restrictions progressively relaxed and as the Canadian dollar strengthened, outflows on a substantial scale occurred and continued on balance through 1953. For 1954 as a whole, a capital inflow of $70 million occurred.

It should be recorded that a complete measure of Canada's international short-term commercial receivables and payables is not available, and that the series shown includes a balancing item. The annual movements in this component have been consistent with the recorded elements and the behaviour has justified its inclusion as an "other capital movement".

The quarterly estimates shown in table IV indicate that there was an outflow of $52 million on account of all "other capital movements" in the first quarter of 1954. This reflected mainly a sharp decline in private Canadian holdings of foreign exchange. In the second quarter, there was an inflow of $102 million. To a considerable extent, this reflected a reduction of exchange held against outstanding forward liabilities. The figure was also affected through the balancing item by the statistical change which led to the recording of an additional two days' imports in this quarter. In the third quarter, there was an outflow of $25 million, to which a growth in private holdings of exchange was the main contributing factor, while in the final quarter of the year a further outflow of $21 million reflected mainly the interest arbitrage transactions with the United Kingdom to which reference was made earlier.

Canada's International Investment Position

During 1954, Canada's net balance of international indebtedness is estimated to have risen by $0.6 billion. This increase reflects additions of $0.9 billion and $0.3 billion to gross liabilities and assets, respectively. From the preliminary estimate of United States long-term investment in Canada appearing in statement 15, it will be seen that the increase in liabilities arose mainly on account of United States direct investments in Canada. The total growth in net indebtedness is larger than the current account deficit for the year of $431 million. This is chiefly because of a net liability incurred in respect of retained earnings on foreign-owned investments in Canada and on Canadian investments abroad, although there are also other factors giving rise to differences.

At the end of 1953, long-term investment in Canada represented $11.4 billion out of gross external liabilities of $12.6 billion. Detail of these investments appears in tables VII and VIII. The increase was over $1,000 million in 1953. Direct investments rose by $753 million, and $644 million of this growth was United States owned. As will be seen from Table IX, every major industrial group except textile manufacturing rose in 1953, although by far the largest increase occurred in mining and smelting. United Kingdom direct investments shown in Table X rose in 1953 by $67 million, to total $611 million at the end of that year, and are now probably of the order of $700 million. Portfolio investments also rose in 1953 reflecting mainly heavy sales of provincial and municipal debentures, and stocks, and also the growth in book values through the retention of earnings.

The number of foreign controlled enterprises in Canada, as shown in table XI, rose by 433 during 1953, to total 4,253 at the end of that year. Addition of 320 United States owned companies brought the total to 3,235, comprising 2,696 Canadian corporations and 539 unincorporated branches. More than 100 of the new companies were engaged in petroleum, mining and smelting. United Kingdom residents added 88 enterprises bringing the number of their direct investments to 801; other overseas countries controlled 217 enterprises in 1953, an increase of 25 over the previous year.

Particulars of Canadian assets abroad at the end of 1953 are included in table XII. Canadian direct investments abroad have more than doubled since the end of the war. A very substantial increase of $236 million was recorded in 1953, bringing the total to $1,507 million. The capital outflow recorded in 1953 accounted for only slightly more than one-quarter of the increase. A considerable part of the remainder reflected special transactions, which were not recorded as international capital movements, involving the acquisition of assets abroad and the simultaneous assumption or creation of liabilities abroad. There were also larger than usual reclassifications from portfolio to direct investment in 1953, and the retention of earnings continued to be an important factor in the growth of both direct and portfolio investments abroad.

As a result of the increase in 1954, Canada's net balance of international indebtedness at the end of that year surpassed the previous record of $6.5 billion reached at the end of 1930 by a small amount. The net balance fell to $3.7 billion in 1949 but has since risen sharply. It is not without significance that each of the peaks was established following a period of great expansive activity in the Canadian economy during which Canada drew heavily on goods and services from abroad. The great increase in population and in productive capacity and the change in price levels make the relative burden of this liability much smaller now than in the earlier period.

In the intervening twenty-four years since 1930, there have been marked changes in the character of

STATEMENT 15. Value of United States Investments in Canada, Selected Year Ends 1930-1954

(Millions of dollars)

Classification	1930	1945	1949	1951	1952	1953	1954[2]
Direct investment	1,993	2,304	3,095	3,897	4,536	5,180	5,700
Government and municipal bonds	1,205	1,450	1,534	1,898	1,835	1,870	1,822
Other portfolio investments	1,368	1,106	1,106	1,269	1,382	1,534	1,575
New investment funds	—	—	—	—	—	—	150
Miscellaneous assets	94	130	170	195	249[1]	256	300
Total book value	**4,660**	**4,990**	**5,905**	**7,259**	**8,002**	**8,840**	**9,547**

1. New series not strictly comparable with earlier years.
2. Provisional estimate subject to revision.

STATEMENT 16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends

(Billions of dollars)

Item	1926	1930	1939	1945	1949	1951	1952	1953	1954
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	10.6	11.4	12.6	13.5
Gross external assets	1.3	1.5	1.9	3.8	5.2	6.0	6.4	6.6	6.9
Net Indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**4.6**	**5.0**	**6.0**	**6.6**

Canada's international investment position. Canada's gross external liabilities have risen from $8.0 billion to $13.5 billion. No less than $4.2 billion of the increase represented direct investment in foreign-controlled enterprises in Canada, and $3.0 billion of this occurred in the past five years. Other long-term investment in Canada, mainly of a portfolio nature, accounted for a growth of $0.6 billion, while the remainder of the increase comprised mostly short-term non-commercial liabilities. Aggregate liabilities to non-residents as a whole rose by $5.5 billion, reflecting increases of $5.3 billion and $0.8 billion in the assets of residents of the United States and of overseas countries other than the United Kingdom. Over the period as a whole United Kingdom assets in Canada fell by $0.6 billion. Major liquidations occurred during the war and early post-war years but, since the end of 1948, British assets in Canada have risen by $0.6 billion. Of this latter rise, about one-quarter is due to the addition in 1949 of investments in Newfoundland.

While Canadian liabilities were growing from $8.0 billion to $13.5 billion, Canadian assets abroad since 1930 have risen by an almost equal amount from $1.5 billion to $6.9 billion. But in sharp contrast to the growth in liabilities, which was predominantly in equities, the growth in external assets was to a considerable extent represented by such government assets as loans and advances to overseas countries, subscriptions to the capital of international institutions, and official holdings of gold and foreign exchange.

The petroleum industry, figures for which are given in statement 17, contributed more than $1.0 billion to foreign investment in Canada between 1945 and 1953. It is estimated that by the end of 1953 non-resident ownership represented nearly 59 per cent of the industry as a whole, while companies controlled outside Canada accounted for nearly 70 per cent of the total investment. At the end of 1945 on the other hand, the industry was 59 per cent Canadian-owned, and the companies controlled outside Canada accounted for 57 per cent of the total investment.

Although Canada's net international indebtedness has been rising for the past five years, it should be borne in mind that the Canadian economy as a whole has also been growing, and there has in fact been relatively little change in the overall non-resident ownership of the selected Canadian industries up to the end of 1952 as shown in statement 18. Increases have occurred in recent years in the share of non-residents in the Canadian manufacturing, and mining and petroleum industries, particularly in the rapidly expanding resource developments, while Canadians have taken over a greater share of steam railways and other utilities. It may be noted that the figures shown in the statement represent a considerably smaller proportion of total ownership than before the war, and also that there are many types of predominantly Canadian-owned capital which are not covered, such as farm and residential property, federal, provincial and municipal assets not falling within the specific categories shown, and Canadian investments abroad.

Another indication of the substantial amounts of Canadian-owned investment will be found in statement 19 which shows the estimated distribution of the funded debt of Canadian governments and corporations at the end of 1954. From this it will be seen that Canadians held nearly 90 per cent of the funded debt of governments and nearly 85 per cent of all funded debt. The latter includes some non-market issues held by parent companies abroad. These ratios are in marked contrast to the situation prevailing before the war; for example, in 1936 Canadians held 75 per cent of government and 66 per cent of total funded debt. The total funded debt held by non-residents has increased somewhat in the intervening years but the total outstanding has risen greatly and 98 per cent of the increase is accounted for by increased holdings of Canadians.

In anticipation of the publication of a more comprehensive report on Canada's international investment position, which it is hoped will be ready later in the year, the foregoing comment and the historical detail contained in the tables have been reduced in comparison with earlier reports of this series.

STATEMENT 17. Book Value of Foreign Investment in the Petroleum Industry in Canada, End of 1945, 1952, and 1953

(Millions of dollars)

Investment in	Classification in investment records (Tables VII to X)	Year End	Non-resident Total	United States		
				Total	Direct	Portfolio
Exploration and development companies	Mining and smelting	1945	6	5	4	1
		1952	359	352	318	34
		1953	538	530	491	39
Refining companies	Manufacturing (non-metallic minerals)	1945	114	106	100	6
		1952	443	429	404	25
		1953	497	460	433	27
Merchandising companies	Merchandising	1945	6[2]	6	6	—
		1952	22	22	22	—
		1953	35	35	35	—
Transportation companies	Public utilities (other)	1945	1	1	1	—
		1952	97	96	96	—
		1953	120	119	119	—
All Petroleum		**1945**	**126**	**117**	**110**	**7**
		1952	**921**	**899**	**840**	**59**
		1953	**1,190**	**1,144**	**1,078**	**66**

Notes: For the purposes of this table Newfoundland was included with Canada in 1945.
Investments in Canadian companies are classified in the investment records according to principal activities in Canada. Investments in exploration and development of petroleum by companies engaged in refining and production of petroleum products are therefore included in the Manufacturing (non-metallic minerals) group.

1. Investment included with refining companies.
2. Investment of countries other than the United States included with refining companies.

STATEMENT 18. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends 1939-1952

Industry classification	Percentage of total owned by							
	All non-residents				United States Residents			
	1939	1948	1951	1952	1939	1948	1951	1952
Manufacturing[1]	42	42	44	46	34	36	36	38
Mining, smelting and petroleum exploration and development[1]	40	42	59	59	31	35	52	53
Steam railways	57	43	39	37	18	21	18	17
Other utilities	27	21	20	20	20	17	17	17
Total of above industries and merchandising	38	33	32	33	22	24	24	25

1. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in manufacturing.

STATEMENT 19. Estimated Distribution of Ownership of Funded Debt of Canadian Governments and Corporations, End of 1954

(Millions of dollars)

Debtor	Amounts Outstanding	Distribution of Ownership			
		Canada	United States	United Kingdom	Other Countries
Dominion direct and guaranteed, excluding railways	14,510	13,851	515	71	73
Provincial direct and guaranteed, excluding railways	3,432	2,468	914	38	12
Municipal	1,962	1,529	393	35	5
Sub-total Government bonds	**19,904**	**17,848**	**1,822**	**144**	**90**
Percentage distribution	**100.00%**	**89.67%**	**9.16%**	**0.72%**	**0.45%**
Steam railways	1,549	944	273	296	36
Other corporations	3,872	2,688	1,001	152	31
Total bonds and debentures	**25,325**	**21,480**	**3,096**	**592**	**157**
Percentage distribution	**100.00%**	**84.82%**	**12.22%**	**2.34%**	**0.62%**

TABLE I. Current and Capital Account of the Canadian Balance of International Payments
Revised Estimates for 1953 and Preliminary Estimates for 1954

(Millions of dollars)

No.	Account	All Countries		United States		United Kingdom		Other Sterling Area		Other OEEC Countries		All Other Countries	
		1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	4,152	3,929	2,458	2,355	656	660	251	206	371	351	416	357
2	Mutual Aid to NATO Countries	246	284	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	144	155	144	155	—	—	—	—	—	—	—	—
4	Travel expenditures	302	302	282	280	12	13	3	3	4	4	1	2
5	Interest and dividends	165	143	101	68	28	35	13	17	13	12	10	11
6	Freight and shipping	318	309	164	167	79	73	18	18	30	29	27	22
7	Inheritances and immigrants' funds	91	89	41	42	18	19	4	4	22	20	6	4
11	All other current receipts	319	298	253	234	37	36	7	7	10	11	12	10
12	**Total Current Receipts**	**5,737**	**5,509**	**3,443**	**3,301**	**830**	**836**	**296**	**255**	**450**	**427**	**472**	**406**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	4,210	3,916	3,046	2,800	463	391	172	183	173	188	356	354
4	Travel expenditures	365	382	307	313	31	35	6	7	18	23	3	4
5	Interest and dividends	404	431	334	353	57	62	—	—	11	14	2	2
6	Freight and shipping	374	355	296	260	42	39	6	3	23	42	7	11
7	Inheritances and emigrants' funds	91	94	74	75	12	13	1	1	3	4	1	1
9	Official contributions	25	11	—	—	—	—	18	8	1	1	6	2
10	Mutual Aid to NATO Countries	246	284	—	—	—	—	—	—	—	—	—	—
11	All other current payments	465	467	290	310	92	64	10	9	48	57	25	27
12	**Total Current Payments**	**6,180**	**5,940**	**4,347**	**4,111**	**697**	**604**	**213**	**211**	**277**	**329**	**400**	**401**
	Balance on Merchandise Trade	- 58	+ 13	- 588	- 445	+ 193	+ 269	+ 79	+ 23	+ 198	+ 163	+ 60	+ 3
	Balance on Other Transactions, excluding B9	- 360	- 433	- 316	- 365	- 60	- 37	+ 22	+ 29	- 24	- 64	+ 18	+ 4
	Official contributions	- 25	- 11	—	—	—	—	- 18	- 8	- 1	- 1	- 6	- 2
C	**Current Account Balance**	**- 443**	**- 431**	**- 904**	**- 810**	**+ 133**	**+ 232**	**+ 83**	**+ 44**	**+ 173**	**+ 98**	**+ 72**	**+ 5**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 426	+ 376	+ 346	+ 291	+ 45	+ 63	—	—	+ 34	+ 22	+ 1	—
2	Direct investment abroad	- 63	- 74	- 33	- 44	- 5	- 16	- 17	- 7	- 1	- 2	- 7	- 5
	Canadian Securities:												
3	Trade in outstanding issues	- 31	+ 55	- 80	- 2	+ 27	+ 21	—	—	+ 25	+ 12	- 3	+ 24
4	New issues	+ 335	+ 326	+ 322	+ 294	+ 7	+ 20	—	—	+ 3	+ 12	+ 3	—
5	Retirements	- 146	- 202	- 132	- 184	- 8	- 12	- 3	- 4	- 1	- 1	- 2	- 1
	Foreign Securities:												
6	Trade in outstanding issues	+ 22	+ 7	+ 20	+ 6	+ 3	+ 2	—	—	—	- 1	- 1	—
7	New issues	- 23	- 33	- 18	- 3	—	- 1	—	—	—	—	- 5	- 29
8	Retirements	+ 1	+ 2	+ 1	+ 1	—	—	—	+ 1	—	—	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 37	+ 42	—	—	+ 14	+ 15	—	—	+ 18	+ 20	+ 5	+ 7
11	Repayment of war loans	+ 50	+ 30	—	—	+ 50	+ 30	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	- 18	+ 22	- 1	+ 12	- 13	+ 9	- 4	- 4	+ 4	—	- 4	+ 5
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	+ 38	- 124	+ 42	- 121	- 4	- 3	—	—	—	—	—	—
17	Other capital movements	- 185	+ 4	- 223	+ 44	+ 40	- 31	- 3	- 1	+ 10	- 2	- 9	- 6
E	**Net Capital Movement**	**+ 443**	**+ 431**	**+ 244**	**+ 294**	**+ 156**	**+ 97**	**- 27**	**- 15**	**+ 92**	**+ 60**	**- 22**	**- 5**
G	**Balance Settled by Exchange Transfers**	—	—	+ 660	+ 516	- 289	- 329	- 56	- 29	- 265	- 158	- 50	—
	Total Financing of Current Account Balance (item C)	**+ 443**	**+ 431**	**+ 904**	**+ 810**	**- 133**	**- 232**	**- 83**	**- 44**	**- 173**	**- 98**	**- 72**	**- 5**

Notes:

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other OEEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area; namely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey, and their overseas territories. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IMF and IBRD, and all other countries not specified above.

A2,B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

D17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1954

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954
A	**Current Receipts:**									
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929
2	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284
3	Gold production available for export	96	99	119	139	163	150	150	144	155
4	Travel expenditures	221	251	279	285	275	274	275	302	302
5	Interest and dividends	70	64	70	83	91	115	145	165	143
6	Freight and shipping	311	322	336	303	284	351	383	318	309
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89
11	All other current receipts	209	220	229	222	231	249	281	319	298
12	**Total Current Receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,509**
B	**Current Payments:**									
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916
4	Travel expenditures	135	167	134	193	226	280	341	365	382
5	Interest and dividends	312	337	325	390	475	450	413	404	431
6	Freight and shipping	219	278	279	253	301	354	375	374	355
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94
9	Official contributions	97	38	23	6	5	9	16	25	11
10	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284
11	All other current payments	382	295	287	315	377	423	405	465	467
12	**Total Current Payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,940**
	Balance on Merchandise Trade	+ 571	+ 188	+ 432	+ 293	+ 10	- 147	+ 489	- 58	+ 13
	Balance on Other Transactions, excluding B 9	- 111	- 101	+ 42	- 110	- 339	- 361	- 309	- 360	- 433
	Official Contributions	- 97	- 38	- 23	- 6	- 5	- 9	- 16	- 25	- 11
C	**Current Account Balance**	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 443**	**- 431**
D	**Capital Account:**									
	Direct Investment:									
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 376
2	Direct investment abroad	- 14	+ 6	+ 15	+ 13	+ 36	- 20	- 77	- 63	- 74
	Canadian Securities:									
3	Trade in outstanding issues	+ 194	- 13	+ 3	+ 8	+ 329	+ 38	- 94	- 31	+ 55
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 326
5	Retirements	- 539	- 364	- 114	- 147	- 284	- 184	- 89	- 146	- 202
	Foreign Securities:									
6	Trade in outstanding issues	+ 25	+ 1	- 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 20	- 23	- 33
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2
	Loans by Government of Canada:									
9	Drawings	- 750	- 565	- 142	- 120	- 50	—	—	—	—
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30
14	Change in Canadian dollar holdings of foreigners	+ 70	- 26	- 21	+ 40	+ 233	- 192	- 66	- 18	+ 22
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	- 492	- 128	- 722	- 56	- 37	+ 38	- 124
17	Other capital movements	+ 23	- 101	+ 7	- 80	+ 210	+ 128	- 511	- 185	+ 4
E	**Net Capital Movement**	**- 363**	**- 49**	**- 451**	**- 177**	**+ 334**	**+ 517**	**- 164**	**+ 443**	**+ 431**

Notes:

AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.

D 17 Includes for years 1946 to 1950 transactions shown separately under items D 12, 13, and 15 in the Canadian Balance of International Payments in the Post-War Years, 1946-1952.

A-G For other notes applicable to this Table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1954

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954
A	**Current Receipts:**									
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355
3	Gold production available for export	96	99	119	139	163	150	150	144	155
4	Travel expenditures	216	241	267	267	260	258	257	282	280
5	Interest and dividends	47	36	37	40	50	57	85	101	68
6	Freight and shipping	101	104	131	126	157	164	174	164	167
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42
11	All other current receipts	140	153	167	158	170	191	224	253	234
12	**Total Current Receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,301**
B	**Current Payments:**									
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800
4	Travel expenditures	130	152	113	165	193	246	294	307	313
5	Interest and dividends	250	274	267	325	411	382	344	334	353
6	Freight and shipping	169	221	213	193	240	276	302	296	260
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75
11	All other current payments	216	211	213	244	293	328	289	290	310
12	**Total Current Payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,111**
	Balance on Merchandise Trade	- 430	- 890	- 289	- 378	- 47	- 516	- 471	- 588	- 445
	Balance on Other Transactions	- 177	- 244	- 104	- 223	- 353	- 435	- 378	- 316	- 365
C	**Current Account Balance**	**- 607**	**-1,134**	**- 393**	**- 601**	**- 400**	**- 951**	**- 849**	**- 904**	**- 810**
D	**Capital Account:**									
	Direct Investment:									
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 291
2	Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 44
	Canadian Securities:									
3	Trade in outstanding issues	+ 241	- 3	+ 5	+ 25	+ 362	+ 20	- 104	- 80	- 2
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 294
5	Retirements	- 460	- 313	- 96	- 136	- 263	- 159	- 75	- 132	- 184
	Foreign Securities:									
6	Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1
14	Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 12
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	- 496	- 134	- 694	- 39	- 80	+ 42	- 121
17	Other capital movements	—	- 76	+ 1	- 38	+ 249	+ 59	- 458	- 223	+ 44
E	**Net Capital Movement**	**+ 331**	**+ 505**	**- 385**	**- 70**	**+ 267**	**+ 515**	**- 158**	**+ 244**	**+ 294**
G	**Balance Settled by Exchange Transfers**	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+1,007**	**+ 660**	**+ 516**
	Total Financing of Current Account Balance (item C)	**+ 607**	**+1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 810**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1954

(Millions of dollars)

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954
	C. BETWEEN CANADA AND THE UNITED KINGDOM									
A	**Current Receipts:**									
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660
4	Travel expenditures	3	7	9	11	7	8	10	12	13
5	Interest and dividends	7	8	9	9	6	30	29	28	35
6	Freight and shipping	107	114	105	89	61	91	105	79	73
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19
11	All other current receipts	52	42	44	49	35	42	34	37	36
12	**Total Current Receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**
B	**Current Payments:**									
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391
4	Travel expenditures	3	9	12	17	19	20	27	31	35
5	Interest and dividends	54	53	50	55	54	57	56	57	62
6	Freight and shipping	32	32	34	32	36	43	42	42	39
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13
11	All other current payments	110	50	46	37	48	51	50	92	64
12	**Total Current Payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**604**
	Balance on Merchandise Trade	+ 488	+ 567	+ 416	+ 401	+ 70	+ 219	+ 377	+ 193	+ 269
	Balance on Other Transactions	+ 12	+ 66	+ 70	+ 45	- 46	+ 4	+ 11	- 60	- 37
C	**Current Account Balance**	**+ 500**	**+ 633**	**+ 486**	**+ 446**	**+ 24**	**+ 223**	**+ 388**	**+ 133**	**+ 232**
	D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES									
A	**Current Receipts:**									
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206
4	Travel expenditures	1	1	1	2	3	3	3	3	3
5	Interest and dividends	2	6	4	4	8	4	7	13	17
6	Freight and shipping	34	39	34	30	18	23	20	18	18
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4
11	All other current receipts	3	3	4	3	3	3	5	7	7
12	**Total Current Receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**
B	**Current Payments:**									
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183
4	Travel expenditures	1	3	4	4	5	5	5	6	7
5	Interest and dividends	1	1	1	1	—	—	—	—	—
6	Freight and shipping	6	5	7	5	3	5	5	6	3
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1
9	Official contributions	5	—	—	—	—	—	15	18	8
11	All other current payments	3	5	4	6	4	4	6	10	9
12	**Total Current Payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**
	Balance on Merchandise Trade	+ 140	+ 206	+ 101	+ 113	- 43	- 45	+ 108	+ 79	+ 23
	Balance on Other Transactions, excluding B 9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29
	Official Contributions	- 5	—	—	—	—	—	- 15	- 18	- 8
C	**Current Account Balance**	**+ 164**	**+ 242**	**+ 129**	**+ 135**	**- 23**	**- 24**	**+ 114**	**+ 83**	**+ 44**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1954

(Millions of dollars)

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954
C	**Current Account Balance**	+ 664	+ 875	+ 615	+ 581	+ 1	+ 199	+ 502	+ 216	+ 276
D	**Capital Account:**									
	Direct Investment:									
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 63
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23
	Canadian Securities:									
3	Trade in outstanding issues	- 48	- 11	- 4	- 16	- 35	- 16	- 3	+ 27	+ 21
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 16
	Foreign Securities:									
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2
7	New issues	—	—	—	—	—	—	—	—	- 1
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	
	Loans by Government of Canada:									
9	Drawings	- 540	- 423	- 52	- 120	- 50	—	—	—	—
10	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15
11	Repayment of war loans	+ 89	+ 104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30
14	Change in Canadian dollar holdings of foreigners	+ 32	- 4	- 20	+ 62	+ 116	- 128	- 22	- 17	+ 5
16	Change in official holdings of sterling (increase, minus)	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3
17	Other capital movements	+ 39	+ 16	+ 18	- 27	- 39	+ 82	- 62	+ 37	- 32
E	**Net Capital Movement**	- 491	- 357	+ 7	- 87	+ 13	- 23	- 16	+ 129	+ 82
G	**Balance Settled by Exchange Transfers:**									
	Official settlements	- 150	- 505	- 597	- 466	+ 4	- 165	- 486	- 345	- 358
	Private settlements	- 23	- 13	- 25	- 28	- 18	- 11			
	Total Financing of Current Account Balance (item C)	- 664	- 875	- 615	- 581	- 1	- 199	- 502	- 216	- 276

TABLE III. Current Account Between Canada and All Countries, 1926-1954

(Millions of dollars)

Year	Current Receipts[1]	Current Payments[2]	Net Balance Including Mutual Aid Exports	Wartime Grants and Mutual Aid	Net Balance on Current Account Indicating Net Movement of Capital
1926	1,665	1,538	+ 127	—	+ 127
1927	1,633	1,643	- 10	—	- 10
1928	1,788	1,820	- 32	—	- 32
1929	1,646	1,957	- 311	—	- 311
1930	1,297	1,634	- 337	—	- 337
1931	972	1,146	- 174	—	- 174
1932	808	904	- 96	—	- 96
1933	829	831	- 2	—	- 2
1934	1,020	952	+ 68	—	+ 68
1935	1,145	1,020	+ 125	—	+ 125
1936	1,430	1,186	+ 244	—	+ 244
1937	1,593	1,413	+ 180	—	+ 180
1938	1,361	1,261	+ 100	—	+ 100
1939	1,457	1,331	+ 126	—	+ 126
1940	1,776	1,627	+ 149	—	+ 149
1941	2,458	1,967	+ 491	—	+ 491
1942	3,376	2,275	+ 1,101	- 1,002	+ 99
1943	4,064	2,858	+ 1,206	- 518	+ 688
1944	4,557	3,539	+ 1,018	- 960	+ 58
1945	4,456	2,910	+ 1,546	- 858	+ 688
1946	3,365	2,905	+ 460	- 97	+ 363
1947	3,748	3,699	+ 49	—	+ 49
1948	4,147	3,696	+ 451	—	+ 451
1949	4,089	3,912	+ 177	—	+ 177
1950	4,297	4,574	- 277	- 57	- 334
1951	5,311	5,683	- 372	- 145	- 517
1952	5,858	5,494	+ 364	- 200	+ 164
1953	5,737	5,934	- 197	- 246	- 443
1954	5,509	5,656	- 147	- 284	- 431

1. Including Mutual Aid exports.
2. Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1952-1954

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1952				1953				1954			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	1,010	1,124	1,049	1,156	918	1,113	1,077	1,044	872	993	1,002	1,062
3	Gold production available for export	41	35	37	37	48	37	30	29	35	43	39	38
4	Travel expenditures	24	53	156	42	26	57	172	47	24	59	170	49
5	Interest and dividends	17	32	23	73	27	33	24	81	24	33	23	63
6	Freight and shipping	84	98	98	103	66	86	81	85	70	78	82	79
7	Inheritances and immigrants' funds	17	27	22	19	16	26	26	23	18	28	24	19
11	All other current receipts	58	67	67	89	69	73	94	83	64	72	81	81
12	**Total Current Receipts**	**1,251**	**1,436**	**1,452**	**1,519**	**1,170**	**1,425**	**1,504**	**1,392**	**1,107**	**1,306**	**1,421**	**1,391**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	890	985	937	1,038	1,002	1,161	1,053	994	923	1,068	941	984
4	Travel expenditures	63	97	110	71	68	95	124	78	66	98	131	87
5	Interest and dividends	82	88	95	148	86	102	83	133	89	95	86	161
6	Freight and shipping	65	98	105	107	69	106	107	92	70	93	99	93
7	Inheritances and emigrants' funds	21	24	24	25	21	22	23	25	21	23	25	25
9	Official contributions	11	—	—	5	10	10	3	2	4	2	2	3
11	All other current payments	91	100	106	108	100	123	126	116	110	116	117	124
12	**Total Current Payments**	**1,223**	**1,392**	**1,377**	**1,502**	**1,356**	**1,619**	**1,519**	**1,440**	**1,283**	**1,495**	**1,401**	**1,477**
	Balance on Merchandise Trade	+ 120	+ 139	+ 112	+ 118	- 84	- 48	+ 24	+ 50	- 51	- 75	+ 61	+ 78
	Balance on Other Transactions, Excluding B9	- 81	- 95	- 37	- 96	- 92	- 136	- 36	- 96	- 121	- 112	- 39	- 161
	Official Contributions	- 11	—	—	- 5	- 10	- 10	- 3	- 2	- 4	- 2	- 2	- 3
C	**Current Account Balance**	**+ 28**	**+ 44**	**+ 75**	**+ 17**	**- 186**	**- 194**	**- 15**	**- 48**	**- 176**	**- 189**	**+ 20**	**- 86**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 71	+ 78	+ 106	+ 91	+ 109	+ 97	+ 106	+ 114	+ 83	+ 88	+ 67	+ 138
2	Direct investment abroad	- 9	- 21	- 19	- 28	- 11	- 10	- 11	- 31	- 9	- 18	- 28	- 19
	Canadian Securities:												
3	Trade in outstanding issues	—	- 19	- 51	- 24	+ 10	- 35	- 5	- 1	+ 16	+ 21	+ 1	+ 17
4	New issues	+ 88	+ 159	+ 23	+ 46	+ 129	+ 60	+ 14	+ 132	+ 174	+ 93	+ 35	+ 24
5	Retirements	- 12	- 41	- 7	- 29	- 29	- 89	- 9	- 19	- 25	- 75	- 48	- 54
	Foreign Securities:												
6	Trade in outstanding issues	+ 6	+ 3	+ 3	—	+ 2	+ 3	+ 2	+ 15	+ 4	+ 9	- 1	- 5
7	New issues	- 19	- 1	—	—	- 1	- 2	- 1	- 19	- 2	- 26	- 3	- 2
8	Retirements	—	—	—	—	+ 1	—	—	—	—	—	—	+ 2
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	+ 9	—	+ 24	+ 2	+ 11	—	+ 24	+ 2	+ 11	+ 3	+ 26
11	Repayment of war loans	+ 2	+ 6	+ 8	+ 7	+ 4	+ 7	+ 39	—	+ 7	+ 8	+ 7	+ 8
14	Change in Canadian dollar holdings of foreigners	- 4	+ 4	+ 2	- 68	+ 44	+ 20	- 71	- 11	- 18	+ 13	+ 10	+ 17
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 24	- 32	- 25	- 4	+ 16	+ 91	- 35	- 34	- 4	- 37	- 38	- 45
17	Other capital movements	- 175	- 189	- 115	- 32	- 90	+ 41	- 14	- 122	- 52	+ 102	- 25	- 21
E	**Net Capital Movement**	**- 28**	**- 44**	**- 75**	**- 17**	**+ 186**	**+ 194**	**+ 15**	**+ 48**	**+ 176**	**+ 189**	**- 20**	**+ 86**

Notes:

Quarterly totals in the account with all countries will not add to annual totals since Mutual Aid to NATO countries is not distributed by quarters.

A-G For other notes applicable to this Table see notes to Table I.

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1952-1954

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1952				1953				1954			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	555	575	562	654	590	629	612	627	543	595	597	620
3	Gold production available for export	41	35	37	37	48	37	30	29	35	43	39	38
4	Travel expenditures	22	49	149	37	24	52	165	41	22	52	162	44
5	Interest and dividends	13	18	19	35	22	16	19	44	13	15	19	21
6	Freight and shipping	38	44	45	47	37	44	42	41	36	41	46	44
7	Inheritances and immigrants' funds	7	11	11	9	8	11	11	11	8	12	12	10
11	All other current receipts	45	52	53	74	51	58	77	67	50	54	64	66
12	**Total Current Receipts**	**721**	**784**	**876**	**893**	**780**	**847**	**956**	**860**	**707**	**812**	**939**	**843**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	673	720	663	761	759	841	742	704	679	767	654	700
2	Travel expenditures	56	84	95	59	60	79	105	63	56	79	107	71
5	Interest and dividends	62	74	77	131	68	88	63	115	70	79	65	139
6	Freight and shipping	50	79	86	87	54	86	84	72	48	70	74	68
7	Inheritances and emigrants' funds	18	19	20	20	18	18	19	19	18	18	20	19
11	All other current payments	64	72	76	77	64	73	75	78	73	80	77	80
12	**Total Current Payments**	**923**	**1,048**	**1,017**	**1,135**	**1,023**	**1,185**	**1,088**	**1,051**	**944**	**1,093**	**997**	**1,077**
C	**Current Account Balance**	**- 202**	**- 264**	**- 141**	**- 242**	**- 243**	**- 338**	**- 132**	**- 191**	**- 237**	**- 281**	**- 58**	**- 234**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 65	+ 73	+100	+ 81	+ 97	+ 86	+ 87	+ 76	+ 70	+ 73	+ 50	+ 98
2	Direct investment abroad	- 3	- 8	- 9	- 22	- 4	—	- 6	- 23	- 5	- 15	- 10	- 14
	Canadian Securities:												
3	Trade in outstanding issues	- 1	- 18	- 56	- 29	+ 2	- 49	- 13	- 20	+ 3	+ 6	- 16	+ 5
4	New issues	+ 88	+159	+ 23	+ 45	+126	+ 58	+ 12	+126	+169	+ 82	+ 27	+ 16
5	Retirements	- 8	- 39	- 5	- 23	- 23	- 88	- 6	- 15	- 16	- 71	- 44	- 53
	Foreign Securities:												
6	Trade in outstanding issues	+ 6	+ 2	+ 2	- 1	+ 1	+ 3	+ 2	+ 14	+ 4	+ 9	- 2	- 5
7	New issues	- 4	- 1	—	—	—	- 1	—	- 17	—	—	- 2	- 1
8	Retirements	—	—	—	—	+ 1	—	—	—	—	—	—	+ 1
14	Change in Canadian dollar holdings of foreigners	- 11	+ 13	- 12	- 27	+ 14	+ 10	- 15	- 10	- 3	+ 12	- 2	+ 5
16	Change in official holdings of gold and U.S. dollars (increase, minus)	- 9	- 40	- 27	- 4	+ 15	+ 94	- 37	- 30	- 8	- 36	- 34	- 43
17	Other capital movements	- 158	- 180	- 102	- 18	- 100	+ 30	- 34	- 119	- 46	+102	- 16	+ 4
E	**Net Capital Movement**	**- 35**	**- 39**	**- 86**	**+ 2**	**+129**	**+143**	**- 10**	**- 18**	**+168**	**+162**	**- 49**	**+ 13**
G	**Balance Settled by Exchange Transfers**	**+237**	**+303**	**+227**	**+240**	**+114**	**+195**	**+142**	**+209**	**+ 69**	**+119**	**+107**	**+221**
	Total Financing of Current Account Balance (item C)	**+202**	**+264**	**+141**	**+242**	**+243**	**+338**	**+132**	**+191**	**+237**	**+281**	**+ 58**	**+234**

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1952-1954

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1952				1953				1954			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	158	246	169	154	119	191	194	152	134	153	180	193
4	Travel expenditures	1	2	4	3	1	3	4	4	1	4	5	3
5	Interest and dividends	2	1	2	24	1	1	1	25	1	2	1	31
6	Freight and shipping	23	30	27	25	15	21	21	22	18	18	19	18
7	Inheritances and immigrants' funds	4	7	4	5	4	5	5	4	4	6	5	4
11	All other current receipts	8	9	8	9	12	8	8	9	8	10	10	8
12	**Total Current Receipts**	**196**	**295**	**214**	**220**	**152**	**229**	**233**	**216**	**166**	**193**	**220**	**257**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	66	91	95	98	103	136	117	107	96	110	93	92
4	Travel expenditures	3	8	8	8	3	10	10	8	4	11	12	8
5	Interest and dividends	17	11	15	13	15	11	17	14	16	13	17	16
6	Freight and shipping	9	12	11	10	9	11	12	10	9	10	10	10
7	Inheritances and emigrants' funds	2	4	3	3	2	3	3	4	2	4	3	4
11	All other current payments	13	12	12	13	20	28	30	14	15	14	17	18
12	**Total Current Payments**	**110**	**138**	**144**	**145**	**152**	**199**	**189**	**157**	**142**	**162**	**152**	**148**
C	**Current Account Balance**	**+ 86**	**+157**	**+ 70**	**+ 75**	**—**	**+ 30**	**+ 44**	**+ 59**	**+ 24**	**+ 31**	**+ 68**	**+109**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 3	+ 3	+ 3	+ 7	+ 9	+ 7	+ 16	+ 13	+ 9	+ 11	+ 14	+ 29
2	Direct investment abroad	—	- 1	—	- 1	—	- 1	- 1	- 3	—	—	- 14	- 2
	Canadian Securities:												
3	Trade in outstanding issues	- 3	- 3	+ 2	+ 1	+ 5	+ 5	+ 3	+ 14	+ 9	+ 2	+ 1	+ 9
4	New issues	—	—	—	+ 1	+ 1	+ 1	+ 1	+ 4	+ 3	+ 3	+ 7	+ 7
5	Retirements	- 4	- 2	- 2	- 1	- 4	- 1	- 2	- 1	- 7	- 2	- 2	- 1
	Foreign Securities:												
6	Trade in outstanding issues	—	+ 1	+ 1	+ 1	+ 1	—	+ 1	+ 1	+ 1	—	+ 1	—
7	New issues	—	—	—	—	—	—	—	—	—	- 1	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 14	—	—	—	+ 14	—	—	—	+ 15
11	Repayment of war loans	+ 2	+ 6	+ 8	+ 7	+ 4	+ 7	+ 39	—	+ 7	+ 8	+ 7	+ 8
14	Change in Canadian dollar holdings of foreigners	—	+ 5	+ 5	- 23	+ 21	+ 20	- 53	- 1	- 9	- 3	+ 6	+ 15
16	Change in official holdings of sterling (increase, minus)	+ 33	+ 8	+ 2	—	+ 1	+ 3	+ 2	- 4	+ 4	- 1	- 4	- 2
17	Other capital movements	- 29	- 7	- 12	- 15	+ 9	+ 13	+ 21	- 3	- 2	- 11	+ 3	- 21
E	**Net Capital Movement**	**+ 2**	**+ 10**	**+ 7**	**- 9**	**+47**	**+48**	**+27**	**+34**	**+15**	**+ 6**	**+19**	**+ 57**
G	**Balance Settled by Exchange Transfers**	**- 88**	**- 167**	**- 77**	**- 66**	**- 47**	**- 78**	**- 71**	**- 93**	**- 39**	**- 37**	**- 87**	**- 166**
	Total Financing of Current Account Balance (item C)	**- 86**	**- 157**	**- 70**	**- 75**	**—**	**- 30**	**- 44**	**- 59**	**- 24**	**- 31**	**- 68**	**- 109**

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1952-1954

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1952 I	1952 II	1952 III	1952 IV	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 IV
	Rest of the Sterling Area:												
A 1	Merchandise exports	88	78	64	63	60	74	66	51	39	58	53	56
	Other current receipts	8	9	9	12	9	10	11	15	15	12	10	12
12	Total Current Receipts	96	87	73	75	69	84	77	66	54	70	63	68
B 1	Merchandise imports	42	50	50	43	28	48	49	47	30	52	53	48
	Other current payments	15	3	3	11	12	14	7	8	9	6	4	9
12	Total Current Payments	57	53	53	54	40	62	56	55	39	58	57	57
C	**Current Account Balance**	+ 39	+ 34	+ 20	+ 21	+ 29	+ 22	+ 21	+ 11	+ 15	+ 12	+ 6	+ 11
	Non-Sterling Area Overseas Countries:												
A 1	Merchandise exports	209	225	254	285	149	219	205	214	156	187	172	193
	Other current receipts	29	45	35	46	20	46	33	36	24	44	27	30
12	Total Current Receipts	238	270	289	331	169	265	238	250	180	231	199	223
B 1	Merchandise imports	109	124	129	136	112	136	145	136	118	139	141	144
	Other current payments	24	29	34	32	29	37	41	41	40	43	54	51
12	Total Current Payments	133	153	163	168	141	173	186	177	158	182	195	195
C	**Current Account Balance**	+105	+117	+126	+163	+ 28	+ 92	+ 52	+ 73	+ 22	+ 49	+ 4	+ 28
C	**Current Account Balance with Above Areas**	+144	+151	+146	+184	+ 57	+114	+ 73	+ 84	+ 37	+ 61	+ 10	+ 39
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 3	+ 2	+ 3	+ 3	+ 3	+ 4	+ 3	+ 25	+ 4	+ 4	+ 3	+ 11
2	Direct investment abroad	- 6	- 12	- 10	- 5	- 7	- 9	- 4	- 5	- 4	- 3	- 4	- 3
	Canadian Securities:												
3	Trade in outstanding issues	+ 4	+ 2	+ 3	+ 4	+ 3	+ 9	+ 5	+ 5	+ 4	+ 13	+ 16	+ 3
4	New issues	—	—	—	—	+ 2	+ 1	+ 1	+ 2	+ 2	+ 8	+ 1	+ 1
5	Retirements	—	—	—	- 5	- 2	—	- 1	- 3	- 2	- 2	- 2	—
	Foreign Securities:												
6	Trade in outstanding issues	—	—	—	—	—	—	- 1	—	- 1	—	—	—
7	New issues	- 15	—	—	—	- 1	- 1	- 1	- 2	- 2	- 25	- 1	- 1
8	Retirements	—	—	—	—	—	—	—	—	—	—	—	+ 1
10	Repayment of post-war loans by Government of Canada	—	+ 9	—	+ 10	+ 2	+ 11	—	+ 10	+ 2	+ 11	+ 3	+ 11
14	Change in Canadian dollar holdings of foreigners	+ 7	- 14	+ 9	- 18	+ 9	- 10	- 3	—	- 6	+ 4	+ 6	- 3
17	Other capital movements	+ 12	- 2	- 1	+ 1	+ 1	- 2	- 1	—	- 4	+ 11	- 12	- 4
E	**Net Capital Movement**	+ 5	- 15	+ 4	- 10	+ 10	+ 3	- 2	+ 32	- 7	+ 21	+ 10	+ 16
G	**Balance Settled by Exchange Transfers**	- 149	- 136	- 150	- 174	- 67	- 117	- 71	- 116	- 30	- 82	- 20	- 55
	Total Financing of Current Account Balance (item C)	- 144	- 151	- 146	- 184	- 57	- 114	- 73	- 84	- 37	- 61	- 10	- 39

TABLE V. Estimate of the Canadian Balance of International Indebtedness, Selected Year-Ends 1926-1954

(exclusive of short-term commercial indebtedness and blocked currencies)

(Billions of dollars)

Item	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954[3]
Canadian Liabilities (Foreign Capital Invested in Canada):													
Direct investments VIII—X	1.8	2.4	2.3	2.7	2.8	3.0	3.3	3.6	4.0	4.5	5.2	6.0	6.6
Government and municipal bonds VII	1.4	1.7	1.7	1.7	1.6	1.5	1.6	1.8	2.0	2.1	2.0	2.1	2.1
Other portfolio investments VIII	2.5	3.2	2.6	2.4	2.5	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.0
New investment funds	—	—	—	—	—	—	—	—	—	—	—	—	0.1
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4[2]	0.5	0.5
Total non-resident long-term investment in Canada VII, VIII	**6.0**	**7.6**	**6.9**	**7.1**	**7.2**	**7.2**	**7.5**	**8.0**	**8.7**	**9.5**	**10.4**	**11.4**	**12.4**
Equity of non-residents in Canadian assets abroad	n/a	n/a	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.6
Canadian dollar holdings of non-residents	n/a	n/a	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3
Canadian short-term assets of IMF and IBRD	—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Gross Liabilities	**6.4**	**8.0**	**7.4**	**7.6**	**7.8**	**8.1**	**8.4**	**8.9**	**9.9**	**10.6**	**11.4**	**12.6**	**13.5**
United States	3.5	4.9	4.5	5.4	5.7	5.7	6.0	6.4	7.1	7.9	8.5	9.5	10.2
United Kingdom	2.7	2.9	2.6	1.8	1.7	1.7	1.7	1.8	2.0	1.9	2.0	2.2	2.3
Other countries, IMF and IBRD	0.2	0.2	0.3	0.4	0.4	0.7	0.7	0.7	0.8	0.8	0.9	1.0	1.0
Canadian Assets (Canadian Capital Invested Abroad):													
Direct investments XII	0.4	0.4	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.5	1.6
Portfolio investments XII	0.5	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8[2]	0.8	0.9
Government of Canada loans and advances XII	—	—	—	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8	1.7
Government of Canada subscriptions to IMF and IBRD	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad	**0.9**	**1.3**	**1.4**	**2.0**	**2.7**	**3.6**	**3.6**	**4.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**
Government of Canada holdings of gold and foreign exchange VI	n/a	n/a	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9
Other Canadian short-term assets abroad	n/a	n/a	—	0.1	—	—	—	0.1	0.1	0.1	0.3	0.3	0.4
Gross Assets	**1.3**	**1.5**	**1.9**	**3.8**	**4.0**	**4.1**	**4.7**	**5.2**	**5.9**	**6.0**	**6.4**	**6.6**	**6.9**
Government of Canada holdings of gold and foreign exchange	—	—	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9
United States[1]	0.7	0.9	0.9	0.9	0.8	0.8	0.8	1.1	1.1	1.4	1.7	2.0	2.1
United Kingdom[1]	0.1	0.1	0.1	0.7	1.2	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5
Other countries, IMF and IBRD	0.5	0.5	0.4	0.5	0.7	1.3	1.4	1.3	1.3	1.3	1.4	1.4	1.4
Canadian Net International Indebtedness:													
Net Liabilities	**5.1**	**6.5**	**5.5**	**3.9**	**3.8**	**4.0**	**3.7**	**3.7**	**4.0**	**4.6**	**5.0**	**6.0**	**6.6**
Government of Canada holdings of gold and foreign exchange	—	—	-0.5	-1.7	-1.3	-0.5	-1.0	-1.2	-1.9	- 1.8	-1.8	- 1.8	- 1.9
United States[1]	2.8	4.0	3.6	4.6	4.9	4.9	5.2	5.3	6.0	6.5	6.8	7.5	8.1
United Kingdom[1]	2.6	2.8	2.5	1.1	0.5	0.2	0.2	0.2	0.4	0.4	0.5	0.7	0.8
Other countries, IMF and IBRD	- 0.3	- 0.3	- 0.1	-0.1	-0.3	-0.6	-0.7	-0.6	-0.5	- 0.5	-0.5	- 0.5	- 0.4

N.B. As above figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further detail appears.

1. Exclusive of Government of Canada holdings of gold and foreign exchange.
2. New series.
3. Preliminary estimate.

TABLE VI. Canada's Official Holdings of Gold and United States Dollars[1], 1950-1954

(Millions of U.S. dollars)

At end of	1950	1951	1952	1953	1954
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6

1. Gold, United States exchange and short-term securities of the United States Government held by the Exchange Fund Account, the Bank of Canada, and other Government of Canada Accounts.

TABLE VII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1953

Classification by Types of Investment

(Millions of dollars)

Long-Term Investments in Canada	A. Owned by all Non-Residents					B. Owned by United States				
	1930	1945	1951	1952	1953	1930	1945	1951	1952	1953
Government securities:										
Dominion	682	726	1,013	858	744	440	682	887	737	608
Provincial	592	624	771	816	930	517	574	732	782	886
Municipal	432	312	319	354	413	248	194	279	316	376
Sub-total	**1,706**	**1,662**	**2,103**	**2,028**	**2,087**	**1,205**	**1,450**	**1,898**	**1,835**	**1,870**
Public utilities:										
Railways	2,244	1,599	1,436	1,429	1,420	832	720	656	644	620
Other	634	494	575	639	679	522	375	490	550	588
Sub-total	**2,878**	**2,093**	**2,011**	**2,068**	**2,099**	**1,354**	**1,095**	**1,146**	**1,194**	**1,208**
Manufacturing	1,573	1,829	3,115	3,541	3,896	1,287	1,482	2,568	2,920	3,187
Mining and smelting	334	403	815	1,076	1,423	255	322	723	976	1,316
Merchandising	203	226	388	447	533	138	164	270	317	391
Financial institutions	543	525	591	644	768	251	285	353	395	481
Other enterprises	82	70	120	133	152	76	62	106	116	131
Miscellaneous assets	295	284	328	447[1]	466	94	130	195	249[1]	256
Total Investment	**7,614**	**7,092**	**9,471**	**10,384**	**11,424**	**4,660**	**4,990**	**7,259**	**8,002**	**8,840**

Long-Term Investments in Canada	C. Owned by United Kingdom					D. Owned by all Other Countries				
	1930	1945	1951	1952	1953	1930	1945	1951	1952	1953
Government securities:										
Dominion	235	—	70	68	79	7	44	56	53	57
Provincial	69	45	38	32	36	6	5	1	2	8
Municipal	182	112	38	36	35	2	6	2	2	2
Sub-total	**486**	**157**	**146**	**136**	**150**	**15**	**55**	**59**	**57**	**67**
Public utilities:										
Railways	1,352	806	704	699	702	60	73	76	86	98
Other	100	90	56	55	57	12	29	29	34	34
Sub-total	**1,452**	**896**	**760**	**754**	**759**	**72**	**102**	**105**	**120**	**132**
Manufacturing	274	301	490	556	612	12	46	57	65	97
Mining and smelting	74	62	60	61	63	5	19	32	39	44
Merchandising	61	57	103	112	122	4	5	15	18	20
Financial institutions	243	186	142	139	167	49	54	96	110	120
Other enterprises	5	6	10	12	16	1	2	4	5	5
Miscellaneous assets	171	85	65	114[1]	116	30	69	68	84[1]	94
Total Investment	**2,766**	**1,750**	**1,776**	**1,884**	**2,005**	**188**	**352**	**436**	**498**	**579**

For other years, see The Canadian Balance of International Payments, 1953, and International Investment Position.

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada. Investments in exploration and development of petroleum by companies engaged in refining and production of petroleum products are therefore included in the manufacturing group.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

1. New series.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1953

Classification by Types of Security and Nature of National Ownership

(Millions of dollars)

Long-Term Investments in Canada	A. Owned by all Non-Residents					B. Owned by United States				
	1930	1945	1951	1952	1953	1930	1945	1951	1952	1953
By Type of Assets										
Bonds and Debentures:										
Government and municipal[1]	1,706	1,662	2,103	2,028	2,087	1,205	1,450	1,898	1,835	1,870
Steam railways	1,481	843	676	644	619	598	495	335	305	287
Other corporations	796	561	674	903	1,084	600	414	542	753	907
Sub-total	**3,983**	**3,066**	**3,453**	**3,575**	**3,790**	**2,403**	**2,359**	**2,775**	**2,893**	**3,064**
Capital stock of Canadian companies	2,856	3,194	4,739	5,190	5,685	1,832	2,088	3,477	3,830	4,207
Other corporation assets[2]	480	548	951	1,172	1,483	331	413	812	1,030	1,313
Miscellaneous investments	295	284	328	447[4]	466	94	130	195	249[4]	256
Total Investments	**7,614**	**7,092**	**9,471**	**10,384**	**11,424**	**4,660**	**4,990**	**7,259**	**8,002**	**8,840**
By Nature of National Ownership										
I. Direct Investments (controlled in country of ownership):										
Bonds and Debentures:										
Steam railways	52	46	36	36	36	42	38	29	29	29
Other corporations	357	281	346	503	584	294	254	319	479	554
Sub-total	**409**	**327**	**382**	**539**	**620**	**336**	**292**	**348**	**508**	**583**
Capital stock of Canadian companies	1,543	1,860	3,206	3,542	3,924	1,330	1,613	2,751	3,023	3,329
Other corporation assets[2]	475	526	933	1,143	1,433	327	399	798	1,005	1,268
Total Direct Investments	**2,427**	**2,713**	**4,521**	**5,224**	**5,977**	**1,993**	**2,304**	**3,897**	**4,536**	**5,180**
II. Government and Municipal Bonds[1]	**1,706**	**1,662**	**2,103**	**2,028**	**2,087**	**1,205**	**1,450**	**1,898**	**1,835**	**1,870**
III. Other Portfolio Investments (not controlled in country of ownership):										
Bonds and Debentures:										
Steam railways — controlled in Canada	1,427	795	637	605	580	556	457	306	276	258
— controlled in other countries	2	2	3	3	3	—	—	—	—	—
Other corporations — controlled in Canada	421	220	239	291	369	301	158	214	266	344
— controlled in other countries	18	60	89	109	131	5	2	9	8	9
Sub-total	**1,868**	**1,077**	**968**	**1,008**	**1,083**	**862**	**617**	**529**	**550**	**611**
Capital stock of Canadian companies:										
Companies controlled in Canada	1,233	1,249	1,416	1,514	1,615	484	462	708	784	852
Companies controlled in other countries	80	85	117	134	146	18	13	18	23	26
Other corporation assets[2]:										
Companies controlled in Canada	5	16	11	21	39	4	13	10	20	38
Companies controlled in other countries	—	6	7	8	11	—	1	4	5	7
Total Other Portfolio Investments	**3,186**	**2,433**	**2,519**	**2,685**	**2,894**	**1,368**	**1,106**	**1,269**	**1,382**	**1,534**
IV. Miscellaneous Investments:										
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	447[4]	466	94	130	195	249[4]	256
SUMMARY										
I. Direct Investments	2,427	2,713	4,521	5,224	5,977	1,993	2,304	3,897	4,536	5,180
II. Government and municipal bonds	1,706	1,662	2,103	2,028	2,087	1,205	1,450	1,898	1,835	1,870
III. Other portfolio investments	3,186	2,433	2,519	2,685	2,894	1,368	1,106	1,269	1,382	1,534
IV. Miscellaneous investments	295	284	328	447[4]	466	94	130	195	249[4]	256
Total Investments	**7,614**	**7,092**	**9,471**	**10,384**	**11,424**	**4,660**	**4,990**	**7,259**	**8,002**	**8,840**

For summary figures 1926 to 1954, see table V; for additional years and 1954 for United States, see statement 15. For complete detail of earlier years see the Canadian Balance of International Payments, 1953, and International Investment Position.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1953

Classification by Types of Security and Nature of National Ownership

(Millions of dollars)

Long-Term Investments in Canada	C. Owned by United Kingdom					D. Owned by All Other Countries				
	1930	1945	1951	1952	1953	1930	1945	1951	1952	1953
By Type of Assets										
Bonds and Debentures:										
Government and municipal [1]	486	157	146	136	150	15	55	59	57	67
Steam railways	862	316	309	307	300	21	32	32	32	32
Other corporations	171	116	104	123	149	25	31	28	27	28
Sub-total	**1,519**	**589**	**559**	**566**	**599**	**61**	**118**	**119**	**116**	**127**
Capital stock of Canadian companies	942	973	1,042	1,100	1,163	82	133	220	260	315
Other corporation assets [2]	134	103	110	104	127	15	32	29	38	43
Miscellaneous investments	171	85	65	114 [4]	116	30	69	68	84 [4]	94
Total Investments	**2,766**	**1,750**	**1,776**	**1,884**	**2,005**	**188**	**352**	**436**	**498**	**579**
By Nature of National Ownership										
I. Direct Investments (controlled in country of ownership):										
Bonds and Debentures:										
Steam railways	10	8	7	7	7	—	—	—	—	—
Other corporations	49	13	13	11	15	14	14	14	13	15
Sub-total	**59**	**21**	**20**	**18**	**22**	**14**	**14**	**14**	**13**	**15**
Capital stock of Canadian companies	200	226	369	424	465	13	21	86	95	130
Other corporation assets [2]	133	101	108	102	124	15	26	27	36	41
Total Direct Investments	**392**	**348**	**497**	**544**	**611**	**42**	**61**	**127**	**144**	**186**
II. Government and Municipal Bonds [1]	**486**	**157**	**146**	**136**	**150**	**15**	**55**	**59**	**57**	**67**
II. Other Portfolio Investments (not controlled in country of ownership):										
Bonds and Debentures:										
Steam railways — controlled in Canada	850	306	299	297	290	21	32	32	32	32
— controlled in other countries	2	2	3	3	3	—	—	—	—	—
Other corporations — controlled in Canada	116	46	11	11	12	4	16	14	14	13
— controlled in other countries	6	57	80	101	122	7	1	—	—	—
Sub-total	**974**	**411**	**393**	**412**	**427**	**32**	**49**	**46**	**46**	**45**
Capital stock of Canadian companies:										
Companies controlled in Canada	685	691	600	597	615	64	96	108	133	148
Companies controlled in other countries	57	56	73	79	83	5	16	26	32	37
Other corporation assets [2]:										
Companies controlled in Canada	1	2	1	1	1	—	1	—	—	—
Companies controlled in other countries	—	—	1	1	2	—	5	2	2	2
Total Other Portfolio Investments	**1,717**	**1,160**	**1,068**	**1,090**	**1,128**	**101**	**167**	**182**	**213**	**232**
V. Miscellaneous Investments:										
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	65	114 [4]	116	30	69	68	84 [4]	94
SUMMARY										
I. Direct Investments	392	348	497	544	611	42	61	127	144	186
I. Government and municipal bonds	486	157	146	136	150	15	55	59	57	67
I. Other portfolio investments	1,717	1,160	1,068	1,090	1,128	101	167	182	213	232
V. Miscellaneous investments	171	85	65	114 [4]	116	30	69	68	84 [4]	94
Total Investments	**2,766**	**1,750**	**1,776**	**1,884**	**2,005**	**188**	**352**	**436**	**498**	**579**

1. For division of Government of Canada, provincial and municipal, see Table VII.
2. Includes net assets of unincorporated branches and other long-term investments.
3. Includes some investments held by nominees for residents of other countries.
4. New series.

TABLE IX. Unites States Direct Investments[1] in all Canadian Businesses, Selected Year Ends 1926-1953

Classification by Types of Business

(Millions of dollars)

Type of Business	1926	1930	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953
Manufacturing:												
Vegetable products	69	94	96	140	146	155	179	182	193	214	231	262
Animal products	18	38	47	44	42	46	49	55	58	60	66	70
Textiles	18	20	20	28	29	32	35	38	42	46	46	43
Wood and paper products	256	334	281	316	350	383	427	441	446	454	499	559
Iron and products	180	199	188	272	283	312	346	378	420	452	528	592
Non-ferrous metals	83	113	130	203	208	225	250	270	311	362	478	494
Non-metallic minerals[2]	109	126	112	133	138	152	229	279	307	428	469	505
Chemicals and allied products	60	86	88	118	134	147	167	185	194	219	250	266
Miscellaneous manufactures	25	31	22	31	36	41	47	52	53	56	59	65
Total	**818**	**1,041**	**984**	**1,285**	**1,366**	**1,493**	**1,729**	**1,880**	**2,024**	**2,291**	**2,626**	**2,856**
Mining and smelting[2]	141	210	198	255	245	254	275	331	453	603	825	1,104
Utilities	249	423	399	359	366	345	347	375	379	392	382	412
Merchandising	89	122	119	153	165	175	183	199	219	259	306	339
Financial institutions	58	136	126	198	232	222	208	241	267	253	289	346
Other enterprises	48	61	55	54	54	59	65	69	84	99	108	123
Total, All Companies	**1,403**	**1,993**	**1,881**	**2,304**	**2,428**	**2,548**	**2,807**	**3,095**	**3,426**	**3,897**	**4,536**	**5,180**

1. Direct investment covers investment in branches, subsidiaries and controlled companies; the figures are a part of the totals in Tables VII B and VIII B.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in the non-metallic minerals item of Manufacturing.

TABLE X. United Kingdom Direct Investments[1] in all Canadian Businesses, Selected Year Ends 1939-1953

Classification by Types of Business

(Millions of dollars)

Type of Business	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953
Manufacturing:										
Vegetable products	61	60	60	68	69	68	74	74	82	86
Animal products	2	3	2	3	2	3	3	3	3	3
Textiles	18	26	27	30	33	30	36	38	39	40
Wood and paper products	38	30	31	33	32	88	92	109	111	121
Iron and products	4	4	4	5	7	7	20	14	15	21
Non-ferrous metals	6	8	6	5	7	8	9	10	8	15
Non-metallic minerals	3	4	4	6	15	15	19	17	25	27
Chemicals and allied products	21	19	19	21	25	26	28	30	36	42
Miscellaneous manufactures	2	2	2	2	3	5	7	12	26	26
Total	**153**	**156**	**155**	**173**	**193**	**250**	**288**	**307**	**345**	**381**
Mining and smelting	29	22	19	18	19	17	19	19	18	17
Utilities	15	16	16	18	18	17	16	16	16	16
Merchandising	46	51	55	67	70	76	84	98	107	117
Financial institutions	120	98	85	92	95	61	54	48	47	65
Other enterprises	3	5	5	4	5	7	7	9	11	15
Total, All Companies	**366**	**348**	**335**	**372**	**400**	**428**	**468**	**497**	**544**	**611**

1. Direct investment covers investment in branches, subsidiaries and controlled companies; the figures are a part of the totals in Tables VII C and VIII C.
2. Less than $500,000.

TABLE XI. Number of Canadian Concerns Controlled Abroad[1], End of 1953

Classification by Countries of Ownership and Types of Business

Type of Business	Controlled in United States			Controlled in United Kingdom			Controlled in Other Countries		
	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated branches	Total Number
Manufacturing:									
Vegetable products	115	5	120	54	2	56	4	—	4
Animal products	55	1	56	3	1	4	3	—	3
Textiles	73	—	73	21	2	23	5	—	5
Wood and paper products	152	10	162	30	1	31	9	—	9
Iron and products	308	19	327	50	—	50	6	—	6
Non-ferrous metals	184	8	192	26	2	28	6	—	6
Non-metallic minerals	78	4	82	19	—	19	3	—	3
Chemicals and allied products	269	36	305	46	3	49	6	2	8
Miscellaneous manufactures	79	6	85	14	—	14	2	—	2
Total	**1,313**	**89**	**1,402**	**263**	**11**	**274**	**44**	**2**	**46**
Mining and Smelting	**260**	**86**	**346**	**19**	**2**	**21**	**9**	**—**	**9**
Utilities:									
Railways	9	2	11	4	—	4	—	—	—
Other utilities	97	16	113	13	3	16	11	2	13
Merchandising	**577**	**89**	**666**	**247**	**33**	**280**	**55**	**2**	**57**
Financial institutions:									
Insurance	14	179	193	25	87	112	3	35	38
Investment trusts	13	—	13	7	—	7	5	—	5
Other financial institutions	85	15	100	34	4	38	27	—	27
Other enterprises	**328**	**63**	**391**	**43**	**6**	**49**	**22**	**—**	**22**
Total, All Companies[2] 1953	**2,696**	**539**	**3,235**	**655**	**146**	**801**	**176**	**41**	**217**
Total, All Companies[2] 1945	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**

1. Book value of total investment in these companies by residents of country in which control lies is shown as direct investment in preceding tables.
2. Includes wholly-owned subsidiaries of Canadian Companies controlled in the U.S. 564 in 1953, 210 in 1945; in the U.K. 152 in 1953, 58 in 1945; in other countries 14 in 1953, 2 in 1945.

TABLE XII. Canadian Long-Term Investments Abroad[1], Selected Year Ends 1939-1953

(Millions of dollars)

Location and Year	Direct Investment in Branches, Subsidiaries and Controlled Companies					Portfolio Investments in Foreign Securities			Government of Canada Credits	Total
	Railways and Utilities	Industrial and Commercial	Mining and Petroleum	Other Concerns	Total Direct Investment	Stocks	Bonds	Total Portfolio Investment		
In All Countries:										
1939	249	289	123	10	671	511	208	719	31	1,421
1945	239	337	138	6	720	454	167	621	707	2,048
1949	276	553	91	6	926	477	161	638	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,922	3,697
1952	326	771	163	11	1,271	669	161	830	1,866	3,967
1953	402	879	217	9	1,507	663	179	842	1,778	4,127
In the United States:										
1939	211	176	21	4	412	380	121	501	—	913
1945	212	214	25	4	455	317	92	409	—	864
1949	247	413	58	3	721	345	98	443	—	1,164
1951	288	549	71	4	912	289	87	376	—	1,288
1952	293	572	95	8	968	450[4]	86	536	—	1,504
1953	365	652	123	7	1,147	44[2]	95	537	—	1,684
In the United Kingdom:										
1939	2	53	—	6	59	22	21	43	—	102
1945	2	53	—	1	54	26	27	53	561	668
1949	2	58	—	1	59	21	19	40	1,434	1,533
1951	1	73	—	2	74	17	17	34	1,394	1,502
1952	1	80	—	2	81	17	14	31	1,357	1,469
1953	1	103	—	2	104	16	13	29	1,292	1,425
In Other British Countries[3]:										
1939	7	30	17	2	54	7	15	22	—	76
1945	7	34	28	2	69	7	12	19	—	88
1949	6	51	19	2	76	6	8	14	—	90
1951	7	61	20	2	88	6	8	14	—	102
1952	7	70	35	2	112	6	8	14	—	126
1953	6	73	56	2	135	6	8	14	—	149
In Other Foreign Countries:										
1939	31	30	85	—	146	102	51	153	31	330
1945	20	36	85	1	142	104	36	140	146	428
1949	23	31	14	2	70	105	36	141	566	777
1951	25	39	26	2	92	155	30	185	528	805
1952	25	49	33	3	110	196	53	249	509	868
1953	30	51	38	2	121	199	63	262	486	869

1. Excluding investments of insurance companies and banks, and subscriptions by the Government of Canada to IMF and IBRD.
2. Amounts are less than $500,000.
3. Including investments in Newfoundland prior to 1949.
4. New series not strictly comparable with earlier years.

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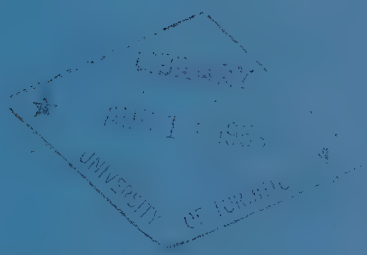
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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1955 AND INTERNATIONAL INVESTMENT POSITION



DOMINION BUREAU OF STATISTICS
International Trade Division
Balance of Payments Section

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1955:
Summary 5
Leading Characteristics and Factors in the 1950's 6
Quarterly Developments 8
Bilateral Changes 9
Changes in the Current Account 10
Capital Movements 17

Canada's International Investment Position 27

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1950-1955 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1953-1955 8
3. Foreign Exchange Rates: U.S. dollar in Canada 1954 and 1955 9
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1946-1955 10
5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1955 11
6. Adjustments to Commodity Trade, 1954 and 1955 11
7. Principal Elements of Canada's Current Account with All Countries, 1950-1955 13
8. International Travel Expenditures between Canada and Other Countries, 1948-1955 13
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1950-1955 14
10. Freight and Shipping Transactions between Canada and Other Countries, 1950-1955 15
11. Miscellaneous Current Transactions with All Countries, 1954 and 1955 16
12. United States Direct Investment in Canada, 1946-1955 18
13. Transactions in Canadian Securities between Canada and Other Countries, 1955 19
14. Transactions in Foreign Securities between Canada and Other Countries, 1955 23
15. Estimated Composition of "Other Capital Movements" 1950-1955 25
16. Interest Arbitrage Transactions between Canada and the United Kingdom, 1955 26
17. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1955 27
18. Value of United States Investments in Canada, Selected Year Ends, 1930-1955 27
19. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1953 28
20. Manufacturing and Mining Enterprises in Canada, Concentration and Control, End of 1953 29
21. Share of United States Controlled Manufacturing Establishments in Selling Value of Factory Shipments, Employment and Earnings, Ranked by Employment, 1953 29
22. Estimated Book Value of Investment in the Petroleum Industry in Canada, Classification by Country of Ownership and Principal Activity of Company, End of 1945 and 1954 30
23. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, End of 1955 31
24. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, Classification by Currency of Payment, End of 1954 31

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, Revised Estimates for 1954 and Preliminary Estimates for 1955 33
II. Annual Statements of the Canadian Balance of International Payments, 1946-1955 34
III. Current Account Between Canada and All Countries, 1926-1955 37
IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1953-1955 38
V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1955 42
VI. Canada's Official Holdings of Gold and United States Dollars; 1950-1955 42
VII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1954, Classification by Type of Investment 43
VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1954, Classification by Type of Security and Nature of National Ownership 44
IX. Foreign Direct Investment in Canada, Selected Year Ends 1930-1954, Classification by Type of Business 46
X. Number of Canadian Concerns Controlled Abroad, End of 1954, Classification by Countries of Ownership and Types of Business 47
XI. Canadian Long-Term Investments Abroad, Selected Year Ends 1939-1954 47

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1955

Summary

Accompanying a marked recovery in the level of economic activity, both receipts and payments on Canada's international account increased sharply in 1955. The deficit from current account transactions in the balance of payments rose to a record level of $692 million, an increase of $260 million over 1954.

This larger deficit was primarily related to merchandise trade, the deficit on which rose $221 million. This source of the current deficit became prominent in the latter part of 1955 with the great rise in imports, and has continued in 1956. Commodity exports (adjusted for purposes of the balance of payments) increased by $403 million or 10 per cent, while adjusted imports increased by $624 million or 16 per cent. As export prices advanced over 2 per cent, and import prices only 1 per cent, the terms of trade moved perceptibly in Canada's favour. These price changes thus indicate a somewhat greater disparity between changes in the volume of exports and imports than between the comparable value levels.

Non-merchandise trade receipts rose by $200 million or 15 per cent, and payments by $239 million or 14 per cent, accounting for the remaining $39 million increase in the overall balance of payments deficit. The deficit of $484 million from these transactions continued to constitute the major part of the current account deficit. All of the "invisible" items (excluding gold) have been in deficit for the past three years. Following the 1954 pattern, there were still larger individual deficits in 1955 as a result of increased expenditures by Canadians on foreign travel, and higher payments abroad of interest and dividends, migrants' and inheritance funds, and official contributions. On the other hand, this increase in payments was partially offset by a further increase in earnings from freight and shipping, and substantially larger miscellaneous receipts.

Inflows of capital in long-term forms during 1955 declined by more than $180 million in contrast to the increase of $260 million in the current account deficit. The principal factor contributing to the decline was a shift in the direction of transactions in Canadian portfolio securities, and in particular a sharp reduction in the sale abroad of new Canadian issues. The difference between the enlarged current account deficit and reduced capital inflows in long-term forms was made up by large inward movements of capital in short-term forms, mainly of private character. These movements represented a reversal of the trend prevailing for some years previously during which the net financial capital of a long-term nature supplied from abroad exceeded Canada's net physical demands on the rest of the world. Most of these movements were reductions in short-term assets and may be regarded as reflecting the current use, in physical terms, of the earlier inflows. The additional resources supplied from abroad helped to fill pressing demands in the expanding Canadian economy referred to below.

STATEMENT 1. Summary of the Balance of Payments Between Canada and All Countries, 1950-1955

(Millions of dollars)

Account	1950	1951	1952	1953	1954	1955	Change in 1955
Commodity exports (adjusted) [1]	3,139	3,950	4,339	4,152	3,929	4,332	+ 403
Commodity imports (adjusted)	3,129	4,097	3,850	4,210	3,916	4,540	+ 624
Balance on commodity trade	+ 10	- 147	+ 489	- 58	+ 13	- 208	- 221
Other current receipts	1,101	1,216	1,319	1,339	1,307	1,507	+ 200
Other current payments	1,445	1,586	1,644	1,724	1,752	1,991	+ 239
Balance on invisibles	- 344	- 370	- 325	- 385	- 445	- 484	- 39
Current account balance	**- 334**	**- 517**	**+ 164**	**- 443**	**- 432**	**- 692**	**- 260**
Direct investment in Canada	+ 222	+ 309	+ 346	+ 426	+ 423	+ 410	- 13
Net new issues of Canadian securities	- 74	+ 227	+ 227	+ 189	+ 128	- 18	- 146
Net trade in outstanding Canadian securities	+ 329	+ 38	- 94	- 31	+ 63	- 17	- 80
All other capital movements [2]	- 143	- 57	- 643	- 141	- 182	+ 317	+ 499
Net capital movement	**+ 334**	**+ 517**	**- 164**	**+ 443**	**+ 432**	**+ 692**	**+ 260**

1. Excluding Canadian Mutual Aid to NATO Countries.
2. Including amounts of -694, -39, -80, +42, -124, and +44 in 1950 to 1955 respectively, covering the Canadian dollar equivalent of increases (-) or decreases (+) in official holdings of gold and U.S. dollars.

The growth of the balance of payments deficit, and in particular, the growth in imports may be considered in the light of the overall expansionary pressures in the Canadian economy in 1955. After a marked setback in the volume of production and in Gross National Product in 1954, the level of economic activity recovered in 1955 with a 9 per cent increase in production and a 10 per cent increase in Gross National Product. Important internal demand sectors to increase were personal expenditure, and those related to investment, notably producers' durables, inventories and housing. For the most part these increased demands had a high import content embracing consumption goods, machinery, and raw and semi-finished materials. Accompanying this high level of production and expansion in Canadian industry were larger payments abroad for services and remittances of earnings. And a large part of government expenditures continued to be on account of defence with direct and indirect effects upon imports. At the same time there was additional pressure on the economy as the expansionary forces in the United States and overseas countries resulted in an increased demand for Canadian exports, and in a change in the business climate. This led to larger exports particularly of forest products and base metals and new commodities for export like iron ore and petroleum. Although the effect of this increase in exports of most primary products was somewhat damped by a substantial decline in exports of grain the overall increase was exceptional.

Besides a generally widening imbalance the most noteworthy change in the distribution of Canada's trade by country and area was the $154 million switch from a surplus to a deficit with overseas countries other than in the sterling area. This movement is related both to larger imports of goods and to larger payments on non-merchandise account. A substantially increased surplus with the United Kingdom and the rest of the sterling area tended to offset the deficit incurred with the rest of the world, leaving the major portion of Canada's increased deficit ($234 million of $260 million) to be accounted for by trade with the United States.

The 1955 addition to Canada's Mutual Aid contributions to NATO countries was $222 million, bringing the total contribution from 1950 to date to $1,154 million. These unilateral transactions, as measured for the balance of payments, include shipments of equipment and supplies, and the provision of training for European aircrews. The credit entries representing provision of goods and services are offset by corresponding payments entries, representing the contributions, so that they do not affect the net current account balance.

Leading Characteristics and Factors in the 1950's

During the past half dozen years since 1950 Canada's international accounts have had some unusually pronounced features which have been characteristic of most of the period. The outlines of these and the underlying background contrast vividly with the features of the accounts for the earlier post-war years from 1946 to 1949. Some of the factors in the recent change in Canada's economic relations with other countries become clarified when the alterations in outlines are examined.

The outstanding feature of Canada's balance of payments during the 1950's has been the prevalence of a current account deficit and the accompanying inflows of capital. There have been deficits in each year except 1952 when the small surplus was due to the coincidence of various special factors. The average size of the deficit for the six years has been $376 million and this has been exceeded in four of the six years. In contrast the current surplus which characterized the period 1946 to 1949 averaged $260 million. The deficits in the 1950's have been mainly from non-commodity transactions although import balances on commodity account have contributed to the deficits in three of the six years and were particularly large in the latter part of 1955. But over the period as a whole commodity trade has been virtually in balance in contrast to export surpluses in the earlier period. And in the meantime the deficit from non-commodity transactions has grown to between three and four times the average in the earlier period.

The net effect of the two major types of change on the current account balance has been fairly evenly divided. The balance on commodity account has contributed more than one-half of the change insofar as the average balance for the two periods goes, while the change in the balance from non-commodity transactions amounted to less than one-half of the change. The relative changes have however, varied from year to year. On commodity account there has been a decline from an average export surplus in the years 1946 to 1949 of $371 million to a virtual balance in the commodity account over the period 1950-1955. But in 1955 there was an import balance of $208 million. This change in the two periods has been brought about by a greater growth in imports than in exports. Both have risen impressively in value but a rise of 64 per cent in the average annual import value compared with a rise of 42 per cent in the average annual export value has been enough to alter the balance on commodity account by a significant amount. And the continued greater rise in imports in 1955 than in exports turned the commodity balance in that year into a substantial and growing import balance.

A variety of factors are responsible for the change in non-commodity transactions. Chief among them have been swings from surpluses to deficits in the travel account, freight and shipping, and inheritances and migrants' funds, and a growth in consistently large sources of deficits such as income account and miscellaneous current transactions.

A great contrast between the two periods also stands out in the form and direction of capital movements. The outstanding feature of the capital account in the 1950's has been the unprecedented and consistently large inflows of non-resident capital for direct investment in Canada. These have averaged $356 million in this period, almost as much as the average current account deficit. In contrast in the period from 1946 to 1949 the average net inflow for direct investment was only $66 million, but in that period the most outstandingly large and characteristic group of capital movements were the outflows connected with the extension of loans and credit by the Canadian Government to overseas countries. Net drawings on loans and credits averaged $318 million in that period but varied greatly from year to year. In 1946 the total drawings were $750 million, while in 1949 these had dropped to $120 million. In the 1950's there were instead inflows of capital of this kind arising from repayments of war and post-war loans.

There has also been a pronounced change in the geographical distribution of transactions. In the 1950's larger ratios of both current and capital transactions have been with the United States. Higher proportions of Canadian trade are now with that country and the current deficit has been consistently larger than in any of the earlier years except 1947. Capital inflows of a long-term character have also been substantial and consistently inwards from the United States each year in the 1950's whereas in the 1940's the inflows, when they occurred, were smaller and less consistent, with some outflows to the United States in certain periods, in addition to the outflows overseas arising from the financing of exports by the Canadian government while European economies were being restored.

While the current deficits with the United States have deepened in the 1950's there have been contractions in the current surplus with overseas countries. These contractions have been most consistent in the accounts with the United Kingdom and the rest of the Sterling area in comparison with the substantial export balances with these countries in the 1940's. The current surplus with O.E.E.C. countries has also been relatively small in the last few years, although it remained large up until 1953 due to heavy export of grains for several years.

Inherent in the change since the 1940's has been a greater growth in Canadian imports of both goods and services than in exports. Even though there has been a substantial increase in Canada's basic export capacity and this has been generally fully employed by the strong demands abroad for Canadian production this increase has been less than the growth in Canadian imports. Compared with 1948 the volume of Canadian exports had risen in 1955 by some 18% while the volume of imports had risen by 60%. There has been a loss of markets overseas for many of the manufactured goods exported in the 1940's but this has of late been more than offset by rising capacity for the production of industrial materials for export. And it should be borne in mind that Canadian imports were subnormal in 1948 because of import controls and some scarcities.

Many of the demands giving rise to the growth in Canadian imports have their origin in the pervasive character of Canadian economic development and the pace at which this has been proceeding. In addition to a large investment programme developing basic resource industries there has been a steadily rising population and this in turn has led to other forms of investment, particularly in the spheres of social capital and secondary industry. This has greatly increased Canada's import requirements and the rising living standards in Canada, which have come with increasing industrialization and urbanization, have further broadened Canadian import demands. In addition there has been the burden of defence expenditures on an unprecedented peacetime scale which both directly and indirectly has added to imports. As a result of these diverse forces Canadian imports have shown a high degree of flexibility and have risen to new peaks in volume in each year from 1951 to 1953 and 1955 to 1956, each higher than the preceding peaks. Fluctuations in imports have been much more than in domestic manufacturing production and have tended to moderate the latter changes. And the increased import demands have not been confined to merchandise. The same factors have been at work increasing other types of current expenditures abroad, most notably on external travel by Canadians, on business services, and in income payments on foreign capital invested in Canada.

The strong pressures of Canadian demands which have made for current account deficits have led to a drawing upon real foreign resources. In this way foreign goods and services have supplemented Canadian production. This borrowing of real resources has had its financial counterparts in inflows of foreign capital to Canada for investment in the 1950's. There are, of course, close interrelationships between the capital inflows and the high level of investment in Canada and the resulting rise in imports. Much of the investment has been directly financed by capital inflows, particularly inflows from foreign business firms developing Canadian resources and industry through branches and subsidiaries. This type of inflow in particular has provided certain kinds of capital in which Canadian supplies have been deficient in relation to the great volume of needs. Some other investment projects have been directly financed by sales of new issues of Canadian securities in the United States by Canadian governments and corporations, or indirectly by the effects of other capital inflows.

The various ways in which the current deficits have been financed by capital movements are presented and analyzed in detail in the description which follows of the capital account. It is notable

that the net inflows from direct investment of over $2 billion have been about the same magnitude as the cumulative current deficit in the past six years. Over $1 billion of this has been used in the development of the petroleum industry and another $400 million in other mineral developments, both highly dependent upon non-resident capital. These inflows for direct investment have been the leading single factor affecting Canada's international investment position during the 1950's. In addition there have been the large earnings which have been retained in direct investments by non-residents which have been of almost equal size. Most of the retained earnings have been reinvested in manufacturing and non-resident ownership and control of this branch of industry has been also increasing significantly as has been even more the case in the extractive industries. Well over half the increased investment in the sphere of Canadian industry covering manufacturing, mining and petroleum in the past half dozen years has been provided by non-residents.

As a result of these changes in the 1950's leading to a growing drawing upon non-resident resources, both physical and financial, there has been a large increase in Canada's balance of international indebtedness. And even more concentrated and significant changes have occurred in the ownership of Canadian industry, more particularly in the non-resident ownership and control of equities in Canadian productive resources.

Quarterly Developments

Following a downturn in business activity which began late in 1953, the last quarter of 1954 set the stage for the vigorous recovery which was to dominate the 1955 scene. In the first nine months of 1954, exports and imports were running some 8 and 9 per cent below the comparable 1953 levels. In the fourth quarter as the expansionary forces at home and abroad began to take hold, exports increased relative to 1953 and imports regained most of their lost ground. The merchandise account showed a substantial surplus, the largest for many quarters. Smaller non-merchandise receipts, and larger payments, particularly of interest and dividends, resulted in an overall current account deficit.

In the first six months of 1955, under the stimulus of renewed activity at home and in the United States, imports increased substantially but exports increased even more. The deficit on commodity trade in this period was less than half the deficits incurred in the first six months of 1953 or 1954. Relatively larger payments for services resulted in current account deficits for both quarters of the half year, but the deficits were in each case smaller than those incurred in the first six months of 1954. But this comparison for the second quarter is affected abnormally by the inclusion of extra imports in that period of 1954 due to a change in import coding procedure introduced in June 1954.

Net capital inflows for direct investments, portfolio security transactions, and official loan repayments declined from $120 million in the fourth quarter 1954 to $89 million in the first quarter of 1955. There was a sharp increase in the capital inflow from the sale abroad of new issues of Canadian securities, but this was almost offset by increased repatriation through trading and retirements. Inflows from direct investment transactions and loan repayments fell. The change in movements of official holdings of gold and foreign exchange from accumulation to disaccumulation was, on balance, more than equivalent to the enlargement of the current account deficit. It should be recorded, however, that a part of this change reflected official debt repatriation. In contrast, during the second quarter when there was a deficit of comparable size the Canadian dollar was at a smaller average premium and capital movements of a short-term character occurred on a sufficiently large scale to permit some reinforcing of the official reserves.

Exports continued to increase for the rest of the year, in spite of a decline of grain exports in the fourth quarter. Under the pressure of final demand for consumption and investment goods, imports increased sharply in the last half of 1955 rising some 26 per cent above the comparable 1954 level. This extraordinary level of imports converted the more usual surpluses on merchandise account to deficits in both the third and fourth quarter of 1955. The deficit on "invisible" items for the last half year was slightly smaller than in the same period of 1954. The overall deficit on current account amounted to $89 million in the third quarter

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1953-1955

(Millions of dollars)

Country or Area	1953				1954				1955			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
United States	- 243	- 338	- 132	- 191	- 236	- 285	- 57	- 229	- 278	- 288	- 155	- 320
United Kingdom	—	+ 30	+ 44	+ 59	+ 23	+ 30	+ 68	+ 108	+ 82	+ 97	+ 71	+ 91
Other sterling area	+ 29	+ 22	+ 21	+ 11	+ 15	+ 12	+ 6	+ 11	+ 21	+ 12	+ 18	+ 9
All other countries [1]	+ 28	+ 92	+ 52	+ 73	+ 21	+ 48	+ 3	+ 30	+ 1	+ 5	- 23	- 35
All Countries	**- 186**	**- 194**	**- 15**	**- 48**	**- 177**	**- 195**	**+ 20**	**- 80**	**- 174**	**- 174**	**- 89**	**- 255**

1. Including other OEEC Countries.

and $255 million in the fourth quarter of 1955—a total of $344 million. This total for the last six months of the year was roughly equivalent to the deficit in the first six months, and quite out of line with experience of the post-war years in which there has normally been a surplus.

Capital inflows for long-term investments were equivalent to the current account deficit in the third quarter of 1955, but were equivalent to less than half the deficit in the fourth quarter. But in addition there were significant inflows of short-term capital taking the form mainly of reductions in private, banking and official holdings of foreign exchange.

There was a continued narrowing of the premium on the Canadian dollar throughout successive quarters of 1955. The average price of the United States dollar in Canada was 96.59 cents at the end of 1954, rising to 99.91 cents at the end of 1955 (see statement 3). During the final quarter of the year the Canadian dollar was traded at a discount for brief periods for the first time since early 1952.

On average, 1955 exports were 10 per cent and imports 16 per cent above 1954 levels. The price of exports and imports rose almost continuously throughout the year (see statement 5) to levels some 4 per cent and 3 per cent above the fourth quarter of 1954. The trade gap widened by $221 million, and as a result of increased net payments of interest and dividends, inheritances and migrants' funds and for travel abroad, the non-merchandise deficit rose by $39 million.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada 1954 and 1955

Quotations reported on transactions between banks in the exchange market

(Source: Bank of Canada)

Quarter	1954			1955		
	High	Low	Noon Average	High	Low	Noon Average
	(Canadian cents per unit)					
I	98.19	96.34	97.01	99.06	96.47	97.60
II	98.75	97.66	98.27	98.97	98.19	98.54
III	97.91	96.78	97.14	99.00	98.22	98.58
IV	97.09	96.59	96.90	100.06	98.97	99.81
Year	**98.75**	**96.34**	**97.32**	**100.06**	**96.47**	**98.63**

Closing Quotations: 1954, 96.59375; 1955, 99.90625.

Bilateral Changes

The pattern of Canadian trade underwent further modification in 1955 as the imbalance increased. The deficit with the United States was increased to over $1 billion, the highest since 1947, and the surplus with the United Kingdom and the rest of the sterling area to some $400 million, the highest since 1952. In contrast, the surplus with other O.E.E.C. countries which had fallen substantially in 1954, declined $63 million to a post-war low of $30 million in 1955. Trade with the rest of the world also continued the trend evinced in the past two years by reversing the 1954 surplus of $9 million to a deficit of $82 million. This increase in payments to O.E.E.C. and other countries was almost counterbalanced by the increased receipts from the sterling area. The larger deficit with the United States accounted for the major portion of the total increase in the deficit, and the proportions of Canada's current transactions with the United States rose slightly from the already high levels in the previous year.

The increase in the current account deficit with the United States was entirely related to merchandise trade, as the non-merchandise account showed a slightly smaller deficit in 1955. Exports increased by $243 million, imports increased by $480 million, and the deficit in commodities rose by $237 million. The marked recovery of the economic climate in the United States in 1955 created larger demands for Canadian primary products such as forest products, non-ferrous metals, iron ore, and petroleum, and there was a growing Canadian capacity in many of the basic export industries to meet some of these demands. At the same time, higher levels of investment and consumers' expenditure in Canada resulted in substantially larger imports from the United States in all major categories, particularly construction and industrial machinery and automobiles. While the non-merchandise deficit with the United States declined by only $3 million in 1955, there were several shifts among the various items. Increased deficits for travel expenditures, and interest and dividend payments, were offset by higher earnings

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1946-1955

(Millions of dollars)

Country or Area	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	Change in 1955
United States	- 607	- 1,134	- 393	- 601	- 400	- 951	- 849	- 904	- 807	- 1,041	- 234
United Kingdom	+ 500	+ 633	+ 486	+ 446	+ 24	+ 223	+ 388	+ 133	+ 229	+ 341	+ 112
Other sterling area	+ 164	+ 242	+ 129	+ 135	- 23	- 24	+ 114	+ 83	+ 44	+ 60	+ 16
Other OEEC countries	+ 248	+ 276	+ 226	+ 185	+ 108	+ 223	+ 332	+ 173	+ 93	+ 30	- 63
All other countries	+ 58	+ 32	+ 3	+ 12	- 43	+ 12	+ 179	+ 72	+ 9	- 82	- 91
All Countries	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 443**	**- 432**	**- 692**	**- 260**

on freight and shipping, and miscellaneous receipts. The major portion of the increase in the latter receipts resulted from higher United States government spending in Canada.

Canada's commodity imports from the United Kingdom increased by only $14 million in 1955, but exports rose by $112 million, and the deficit on non-merchandise account fell by $14 million. As a result, the surplus was $112 million higher than in the previous year. The inordinate pressure of demand in the United Kingdom for consumption and investment goods, and industrial materials, resulted in increased imports from Canada of a wide variety of commodities, including grains, tobacco, aluminum and other non-ferrous metals, and paper. To some extent this pressure was also responsible for restricting goods available for export from the United Kingdom and its deterrent effect on United Kingdom exports was reinforced by the rail, dock and seamen's strikes in the spring of 1955. The small increase in Canada's imports was mainly in textile fibres and products, electrical apparatus, and aircraft, while imports of machinery and automobiles fell. The declining non-merchandise deficit with the United Kingdom was related primarily to substantially larger net earnings from freight and shipping, offset somewhat by slightly higher payments on account of migrants' remittances, and Canadians travelling abroad. There were also some non-recurring receipts on defence account in 1955.

Larger relative exports of goods and services to other sterling area countries resulted in a $30 million increase over the 1954 surplus, but larger official contributions, primarily related to Colombo Plan expenditures reduced the gain to $16 million. The surplus with the United Kingdom and the rest of the sterling area increased by $128 million to $401 million, but this is still well below the surplus in 1952 and in the years before 1950.

The surplus with other O.E.E.C. countries was reduced sharply to $30 million in 1955, the smallest amount in the post-war years even though exports to these countries rose by almost as much as imports in the year. The reduced current surplus was mainly attributable to an enlarged deficit from transactions other than commodity trade. The enlarged deficit resulted from higher Canadian Government expenditures in Western Europe for defence purposes, larger payments for freight and shipping services, particularly through payments for time charters of vessels and continued growth in Canadian travel to continental Europe. The increase in commodity exports to this group of countries was in industrial materials, as shipments of grains were moderately lower than in 1954 and much less than in the three preceding years.

Transactions with all other countries than those included above resulted in a deficit of $82 million compared with a surplus of $9 million in 1954 and surpluses of variable size in earlier post-war years with the exception of 1950. Leading factors bringing about this change were a contraction in exports and an expansion in imports. The drop in exports was mainly concentrated in reduced sales of grains to various countries in Asia and Latin America while leading features of the enlarged imports were larger imports of petroleum and products from Venezuela and the Netherlands Antilles, sharp rises in imports from Japan, and in imports of raw cotton from Mexico.

Changes in the Current Account

Merchandise Trade

The appearance of a substantial import balance on commodity account in 1955 was the leading factor increasing the current deficit, being responsible for more than four-fifths of the increase. And this import balance of $208 million accounted for some 30% of the deficit. This contrasts with 1954 and other recent years when the current deficit was entirely or chiefly the result of growing deficits from "invisibles".

The underlying factors giving rise to a greater increase in imports than in exports have been referred to above. The increase in the value of imports was some 16% while exports rose by 10%. And the physical volume of both exports and imports was at new peaks in 1955 although the value of expofts was about the same as in 1952.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports
(1948 = 100)

Year and Quarter	Price Indexes		Terms of Trade	Volume Indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.5	110.5	106.3	118.5	160.3
1954 I	115.2	109.2	105.5	96.1	128.3
II	116.3	110.3	105.3	110.6	154.0
III	115.0	110.3	104.3	110.4	136.4
IV	114.5	109.1	104.9	121.0	144.2
1955 I	115.5	109.6	105.4	107.1	135.9
II	117.7	110.1	106.9	119.4	166.2
III	118.0	109.9	107.4	122.8	165.8
IV	119.1	112.8	105.6	124.1	172.3

Note: Indexes indicate movements in unadjusted trade data.

This strong growth in exports occurred even though exports of wheat and other grains were less than any year since 1950. The value of exports of all other commodities was at a new level well above any earlier year and almost 15% higher than in 1954, and likewise well above 1952, the previous peak year. It was the unprecedentedly high export of grains in that earlier year that was mainly responsible for the high value of total exports in 1952.

A feature of the growth in exports in 1955 has been the strong demands for industrial materials and the increased Canadian productive capacity for supplying many of these. The growth which has occurred in Canadian exports in 1955 was greatest in major forest products like lumber and pulp and paper, in non-ferrous metals like aluminum, copper, nickel, and zinc and in other minerals such as iron ore and petroleum which had been undergoing strong expansion. Exports of other new commodities like uranium and some chemical products have also been growing. But on the other hand there have been declines in exports of some manufactured goods both over the longer run and in 1955, and as a group these have not shown the kind of growth appearing in the groups of industrial materials already noted.

STATEMENT 6. Adjustments to Commodity Trade, 1954 and 1955
(Millions of dollars)

Exports	1954	1955	Imports	1954	1955
Domestic exports in trade returns	3,881.3	4,281.8	Imports in trade returns	4,093.2	4,712.4
Exports of foreign produce	65.6	69.5			
Total exports	**3,946.9**	**4,351.3**			
Adjustments:			Adjustments:		
Tourist exports	- 3.0	- 2.8	Tourist imports	- 68.8	- 71.4
Settlers' effects	- 17.3	- 21.9	Settlers' effects	- 29.9	- 25.5
Private donations	- 2.7	- 1.5	Advertising	- 7.1	- 7.4
Warehousing	+ 5.0	+ 4.2	Warehousing	+ 2.9	+ 9.5
All other adjustments	+ 0.2	+ 2.8	All other adjustments	- 74.0	- 77.8
Total adjustments	**- 17.8**	**- 19.2**	**Total adjustments**	**- 176.9**	**- 172.6**
Merchandise exports (adjusted) (Table I, item A1)	3,929.1	4,332.1	Merchandise imports (adjusted) (Table I, item B1)	3,916.3	4,539.8

More than one half of the increase in exports was to the United States, which country continued to take about 60% of Canadian exports. But there was a greater rate of increase in exports to the United Kingdom, the Rest of the Sterling Area, and Other O.E.E.C. countries. On the other hand declines in exports to other countries including Brazil, Turkey, Israel and Japan were sufficient to reduce the total exports to other countries.

In the case of exports to the United States increases were greatest in the industrial and construction materials such as lumber, pulp and paper, non-ferrous metals, iron ore, primary steel, petroleum, and some chemicals but shipments of agricultural products were lower. With exports to the United Kingdom almost one-half of the increase was in larger shipments of grains. But strong demands for industrial materials in the forest products and metals groups continued to be the basis for the largest part of the total. There were larger exports of industrial materials to the rest of the Sterling Area also which took more automobiles and other manufactured goods as well. The increase in exports to the O.E.E.C. countries was chiefly in industrial materials with a smaller total of grains. Reduced shipments of grains to Latin America and Asia accounted for most of the declines to those areas.

The close links between Canadian imports and prosperity have already been referred to. Relationships between imports and some types of activity like investment have been especially pronounced in recent years. The upturn in Canadian investment which became particularly notable by the middle of 1955 generally coincided with the rise in Canadian imports to new high levels in the second half of the year. Increases in the value of imports over the previous year in the third and fourth quarters of 23% and 28% respectively were exceptionally high. The most direct effects of investment have been on imports of machinery and equipment. But in addition, the high levels of consumption in Canada have also contributed to the growth in imports both directly and indirectly. Imports of finished consumer goods have been higher as well. In addition very widespread increases have occurred in imports of industrial materials for Canadian industry. And imports on defence account continued to be of consequence, although they were less than in preceding years.

The increases in imports in 1955 covered the wide range of commodities entering this branch of trade. Generally substantial gains were distributed among industrial materials, investment goods, and consumer goods. The greatest amount of the increase occurred in imports of metal products which contained machinery and equipment, automobiles and aircraft and parts, electrical goods, and also primary steel and other materials required by industry.

The United States was the source of almost three-quarters of Canadian imports and accounted for the largest part of the increase, with a rate of gain greater than in imports from overseas. The growth in imports from the United States was widely distributed and revealed the general pattern of increases from all countries with somewhat more of the gains being investment types of goods. Imports from the United Kingdom were only slightly higher than in the previous year and were still less than in 1953, as deliveries by that country were retarded by labour disputes. While there were gains in imports from the United Kingdom in commodities like textiles, aircraft, chemicals and electrical apparatus, imports of automobiles and some kinds of machinery and equipment were lower. Imports from the rest of the sterling area were higher than in 1954 but the value was still much less than in 1950 and 1951 when some commodity prices were unusually high. Imports from other O.E.E.C. countries were also moderately higher and imports from Latin America and other countries showed some appreciable rises mainly because of more petroleum and products and raw cotton and a doubling of imports from Japan.

Adjustments to the regularly published statements of commodity trade for balance of payments purposes shown in statement 6 were relatively little changed in the aggregate from 1954. Adjustments on account of defence have been among the more sporadic in recent years but in 1955 were not significantly different in total than in the previous year. The principal adjustments arising from defence activities were deductions from imports of goods on account of foreign governments and credits representing refunds of advance payments for defence equipment made in earlier years.

Fluctuations in prices did not significantly alter the average export and import prices covered in index numbers for the totals of trade in 1955, although there were appreciable changes in some commodities and general rises during the year. Average export prices rose by something over 2% while average import prices rose by about 1%, leading to a slight improvement in the terms of trade shown in statement 5.

New gold production available for export gave rise to net receipts of some $155 million, virtually the same as in the previous year. Since November 1, 1951 this series has included not only the sale by the Mint to the Exchange Fund and a small amount exported in the form of concentrates, but also sales abroad of commercial gold by producers. Increases in stocks at the Mint in safekeeping for the Mines are excluded. For this and other reasons the series therefore, does not necessarily coincide with the value of gold produced. In 1955 there was an increase in physical production of some 4%.

STATEMENT 7. Principal Elements of Canada's Current Account with All Countries, 1950-1955

(Millions of dollars)

Account	1950	1951	1952	1953	1954	1955	Change in 1955
Exports (adjusted)[1]	3,139	3,950	4,339	4,152	3,929	4,332	+ 403
Imports (adjusted)	3,129	4,097	3,850	4,210	3,916	4,540	+ 624
Balance on commodity trade	**+ 10**	**- 147**	**+ 489**	**- 58**	**+ 13**	**- 208**	**- 221**
Gold production available for export	+ 163	+ 150	+ 150	+ 144	+ 155	+ 155	—
Travel expenditures	+ 49	- 6	- 66	- 63	- 84	- 121	- 37
Interest and dividends	- 384	- 335	- 268	- 239	- 276	- 317	- 41
Freight and shipping	- 17	- 3	+ 8	- 56	- 43	- 23	+ 20
Inheritances and migrants' funds	- 4	+ 7	- 9	—	- 5	- 15	- 10
All other current transactions	- 151	- 183	- 140	- 171	- 192	- 163	+ 29
Balance on non-merchandise transactions	**- 344**	**- 370**	**- 325**	**- 385**	**- 445**	**- 484**	**- 39**
Current account balance	- 334	- 517	+ 164	- 443	- 432	- 692	- 260

1. Excluding Canadian Mutual Aid to NATO countries.

Travel Expenditures

The travel account in 1955 continued to show a trend towards a larger deficit which has been typical in recent years. But there was a considerable rise in receipts as well as payments in contrast to 1954 when receipts remained comparatively stable. Increased deficits have occurred in the accounts with both the United States and overseas and in 1955 the deficit of $121 million was fairly evenly divided between the two accounts.

The change in the structure of Canada's travel account has contributed significantly to the current account deficits which have been generally characteristic of the 1950's. The full sweep of the change is illustrated by the alteration from the peak surplus from this source of $145 million in 1948 to the latest deficit of $121 million in 1955. The great change has occurred in Canadian travel expenditures abroad which are now more than three times the level in 1948. Rising prosperity in Canada, wider ownership of private automobiles, increasing travel facilities overseas, with wider areas accessible, and the absence of restrictions on travel which were a deterent in the 1940's, are among factors which have served to stimulate this rising trend in Canadian expenditures on travel in the United States and overseas. In contrast the level of non-resident expenditures on travel in Canada have been comparatively stable in this long period and even in 1955 were only moderately higher in value than in 1948. The rise of some 17% in the interval was not far from the general rise in prices. There has, however, been a greater rise in the number of non-resident travellers entering Canada since 1948 than in the value, but changes in travel habits and a tendency to stay for shorter periods have acted to hold down the total value of expenditures. The rise in numbers has been mainly in visitors by automobile, visitors by train were less last year than in 1948, but increases have occurred in numbers of visitors by airplane, bus, and boat.

STATEMENT 8. International Travel Expenditures between Canada and Other Countries, 1948-1955

(Millions of dollars)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
1948	267	113	+ 154	12	21	- 9	279	134	+ 145
1949	267	165	+ 102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	- 121

The increase which developed in 1955 in United States expenditures in Canada was chiefly in expenditures by visitors by automobile and by airplane. The volume of travel by these means was higher and average expenditures were also more than in the previous year. Other groups of travellers were more than maintained in numbers but expenditures were lower. There was also a significant increase in the number of visitors from overseas, but these continued to be only a minor part of the total tourist trade.

Most of the gain in Canadian expenditures abroad in 1955 occurred in the United States, although expenditures overseas continued to rise at a more rapid rate. The biggest part of the increase was due to a larger volume of travel from Canada by automobile as average expenditures were lower for Canadians staying in the United States for more than short periods. Expenditures by other groups did not rise as much as the automobile traffic, apart from those of plane travellers whose expenditures rose even more than the automobile group. Only a small part of the increased outlays by travellers in the United States was for the purchase of merchandise in 1955.

The greatest increases in travel expenditures overseas were in the accounts with the United Kingdom and other European countries which together covered over four-fifths of that part of the gain with a rise of more than 24%. This was the largest single change in travel during the year and continues a rising trend which has been underway for some years.

Income Account

Following the pattern of the 1954 income account, net payments of interest and dividends increased by $41 million in 1955. This larger deficit resulted from a substantial increase in payments to the record level of $477 million, and a smaller increase in receipts which just failed to meet the previous peak set in 1953.

Interest receipts showed a small gain over the 1954 level, reflecting primarily the larger amount of private Canadian holdings of foreign securities. There were also slightly higher income receipts on official Canadian holdings of United States Government securities, although the return remained relatively low, but receipts of interest on government loans were smaller. Buoyant economic conditions throughout a large part of the world were accompanied by a substantial increase in dividend receipts in 1955. This increase was mainly related to larger transfers of earnings by Canadian subsidiaries abroad, and to a smaller extent to income on portfolio investment. These increases were mitigated by a decline in receipts from some utilities operating in South America.

Payments of interest dropped somewhat in 1955, as a consequence of the record repatriation of outstanding Canadian bonds and debentures, and some net retirement. In line with the high level of business activity and profits in 1955 there was a substantial increase in dividend payments. This increase related mainly to earnings of branches and subsidiaries owned in the United States and also to a smaller increase in dividend payments on foreign public holdings.

While some of the increase in dividend payments was due to the profitable operation of some recent new investments, earnings on many of the extensive new investments of recent years continued to be less than the future potential levels. And the payment of dividends by subsidiaries to parent companies abroad continued to be much less than earnings. The amount of earnings retained and reinvested in Canadian subsidiaries appears to have been considerably more in 1955 than in earlier years.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1950-1955

(Millions of dollars)

Year	Account with United States					Account with United Kingdom					Account with All Countries[1]				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	16	66	104	289	-311	25	13	17	47	-26	55	105	127	350	-317

1. Includes other sterling area, OEEC and all other countries not shown separately.

Freight and Shipping Transactions

The deficit on freight and shipping account in 1955 was less than in either of the two preceding years but contrasts with surpluses up to 1949. The reduced deficit in 1955 was due to a larger increase in receipts than in payments, even though the opposite trend occurred on commodity account. Changes in the freight account were influenced more by changes in the composition and direction of trade than in the global movements. Rises in liner rates on some routes and much higher rates on time and voyage charters also contributed to some parts of the increases in both receipts and payments.

Most of the net change in 1955 was the result of a larger surplus with overseas countries which rose to $65 million. There were rises in the surplus with each of the United Kingdom, Other Sterling Area, and Other Countries partly offset by a larger deficit with O.E.E.C. countries. Changes in this account with the United States were mainly offsetting, the deficit of $89 million being only slightly less than in 1954.

The comparative stability in the balance with the United States was due to substantial increases in receipts for inland freight on exports, particularly in the case of new bulk commodities now increasing in the export trade with that country, and a relatively moderate rise in total payments to the United States on freight and shipping account. Although payments for some elements in that account rose sharply with the general growth in imports, there was stability in the payments on some commodities imported from that country on which freight is relatively high and in payments on account of chartering vessels in the United States.

The enlarged surplus with overseas countries originated from a variety of factors. There were larger receipts from inland freight on Canadian exports overseas, larger expenditures in Canadian ports on account of foreign ships, and a small increase in the net receipts from the shipping business of Canadian operators. These sources of larger net receipts were partly offset by a growth in payments by Canadian importers to overseas countries for carrying Canadian imports. A gain in net receipts by Canadian shipping operators was due to rises in receipts on exports carried by vessels operated for the account of Canadians and from interport revenues abroad. These receipts rose more than the rise in charter payments by Canadian operators and in other expenditures overseas by Canadian shipping operators.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1950-1955

(Millions of dollars)

Item	1950	1951	1952	1953	1954	1955
Receipts by Canada						
Ocean Shipping:						
Canadian operated ships:						
Gross earnings on exports	48	54	56	58	61	76
Charter receipts	6	12	13	7	3	6
Revenues between foreign ports	16	34	33	17	18	25
Sub-Total	70	100	102	82	82	107
Expenditures of foreign ships in Canada	38	40	43	41	35	42
Gross Shipping Receipts	**108**	**140**	**145**	**123**	**117**	**149**
Inland freight on exports	142	177	201	161	159	185
Intransit revenues	28	28	29	29	29	30
Other receipts	6	6	8	5	8	21
Gross Receipts (Table I, item A6)	**284**	**351**	**383**	**318**	**313**	**385**
Payments by Canada						
Ocean Shipping:						
Expenditures abroad of Canadian shipping companies	20	33	64	60	67	87
Charter payments	18	27				
Freight on imports via Canadian ports	66	76	71	75	66	73
Gross Shipping Payments	**104**	**136**	**135**	**135**	**133**	**160**
Inland Rail Freight in U.S. on Imports:						
Coal via vessel	53	49	48	48	39	40
Coal via rail	40	38	33	26	22	20
Other rail freight	80	97	117	121	112	126
Sub-Total	173	184	198	195	173	186
Miscellaneous Payments	24	34	42	44	50	62
Gross Payments (Table I, item B6)	**301**	**354**	**375**	**374**	**356**	**408**

Inheritances and Migrants' Funds

The deficit on net transfers of inheritances and migrants' funds was increased to $15 million in 1955; this was the largest deficit in several years, and it resulted from an increase in payments of $7 million, and a decrease in receipts of $3 million.

As the rate of immigration from overseas countries fell off sharply in 1955, receipts of inheritances and migrants' funds continued the decline which began in 1954. The export of migrants' funds increased primarily as a result of higher average transfers per emigrant.

Miscellaneous Current Transactions

Both receipts and payments for miscellaneous current transactions reached new peaks in 1955, but as receipts increased by $95 million and payments by only $66 million, the deficit fell by $29 million. The post-war pattern of this account has shown a growing and substantial deficit, and this is the first year since 1952 that the deficit has been reduced.

The major factor effecting this decline was a significant increase in receipts on government account. After small declines in 1954, government receipts and payments rose again in 1955, but whereas payments rose by some $20 million, receipts increased by $77 million. A substantially higher level of spending by the United States Government for defence installations in Canada was mainly responsible for the increase in receipts. The increase in payments was related to larger expenditures by Canada on defence commitments in Europe, arising from membership in N.A.T.O. In addition, there was an increase in economic assistance to underdeveloped areas through larger Canadian expenditures for this purpose, primarily financed by Canada's contribution to the Colombo Plan.

Personal and institutional remittance to Canada remained relatively unchanged in 1955, while remittances from Canada continued their steady increase. In the past seven years, more than one million immigrants have come to this country, and much of the growth of these remittances reflects this increase in the number of new Canadians, with family ties and responsibilities overseas.

The pattern in recent years of deficits on the miscellaneous income account was broken in 1955, as receipts increased to the level of payments. The increase in receipts was primarily associated with larger profit remittances from foreign branches of Canadian financial institutions. The smaller increase in payments similarly reflected remittances of Canadian branches to foreign head offices. In addition, Canadian branches and subsidiaries make substantial interest payments on loans and advances from foreign parent companies. Although a large portion of the outstanding advances carries no interest charges, increased foreign direct investment in Canada has resulted in a higher burden of this type of interest payments as well as the income payments covered in the interest and dividends account.

In much the same way the large recurring deficit in business services is partly a reflection of foreign participation in Canadian industry. Payments for business services include such items as management and engineering fees, royalties, film rentals, and insurance premiums and claims. There are also expenditures outside Canada by the air, rail, and road transportation industry apart from those covered in the freight and shipping account. Canadian receipts for business services are of a much smaller order but include similar types of items. The importance of business services in the miscellaneous account may be illustrated by the fact that over the past six years the total deficit on miscellaneous account moved between $140 million and $192 million and the deficit on business services alone has constituted between $130 million and $165 million of this deficit.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1954 and 1955

(Millions of dollars)

Item	1954		1955		
	Receipts	Payments	Receipts	Payments	Balance
Official contributions	—	11	—	24	- 24
Government transactions, n.o.p.	118	112	195	132	+ 63
Personal and institutional remittances	22	65	22	71	- 49
Miscellaneous income [1]	33	37	40	40	—
Business services and other transactions	125	265	136	289	- 153
Total (Table I, items A11 and B9, 11)	**298**	**490**	**393**	**556**	**- 163**

1. Including transfers of branch profits by insurance companies and banks.

Capital Movements

The year 1955 not only saw Canada's current account deficit reach new levels, but it also saw marked changes in the capital movements which financed this enlarged deficit. While it is not possible to classify movements of capital as long or short-term, the general character of the movements may be indicated by the long or short-term form of the capital and by knowledge of the situations existing in the period in which the movements occurred. Net inflows of capital in long-term forms include direct investments, portfolio security transactions, official loan transactions, and the other long-term transactions in the category "other capital movements" of which details appear in statement 15. These inflows amounted successively to $618 million, $579 million and $397 million in the years 1953 to 1955, compared with deficits on current account of $443 million, $432 million, and $692 million respectively. The decline in 1955 in the net import of capital in long-term forms is virtually all the result of a change in the balance of all portfolio security transactions which is the subject of later comment. Other types of capital movement which served to finance the current account deficit in 1955 included a sharp growth in holdings by non-residents of Canadian dollars, a moderate reduction in official holdings of gold and foreign exchange which contrasted with the growth in 1954, a considerable reduction in private holdings of foreign exchange by Canadians, and changes in international commercial receivables and payables. The temporary bridging of the gaps between current account balances — whether surplus or deficit — and long-term capital flows is one of the normal functions of short-term capital movements in the balance of payments. During 1955, a part of the excess of predominantly long-term inflows over Canada's current physical needs in earlier years was used by the Canadian economy to obtain additional physical resources from outside Canada.

The net inflow of capital of all types from the United States in 1955 was $405 million which compared with $277 million in 1954. This movement was the largest since 1951. The biggest change in 1955 was in movements of official holdings of gold and United States dollars. The net movement from the United Kingdom of $218 million was almost twice the figure for 1954 and was the largest recorded in the post war period. It should be noted, however, that a substantial part of this movement represented the drawing down in 1955 of sterling balances previously acquired by Canadians. The inflow from other overseas countries amounted to $69 million and as in the case of the United States and of the United Kingdom was higher than in recent years.

Direct Investment in Canada

The net movement of capital to Canada for direct investment in foreign-controlled enterprises amounted to $410 million in 1955. This level was somewhat above the revised estimate of $392 million for 1954 but below the record figure of $426 million established in the preceding year. The persistence of these net inflows at an average annual rate in excess of $400 million for the past three years following a year by year growth from one-tenth of that amount in 1946, has been a striking feature of the Canadian balance of international payments in the post-war period. The net import of direct investment capital in the ten year period has amounted to nearly $2,400 million, and the overall growth of foreign direct investment in Canada, which also reflects the undistributed earnings accruing to non-residents and some other transactions, has been of the order of $5,000 million.

The tremendous growth of foreign investment in Canada is heavily concentrated in particular sectors of the Canadian economy in some of which it plays a dominant role. The Bureau has recently published a new study in which this subject is reviewed in considerable detail[1]. The recent growth may be attributed to the rapid pace of Canadian expansion and development, with consequent demands for extraordinarily large amounts of capital. In some industries foreign capital enjoys special advantages as a result of the technology and marketing connections which are made available with it. The growing importance of foreign-controlled companies has many implications some of which are discussed in the new report.

The influence of these capital inflows pervades practically every classification of transactions used in statements of the balance of payments. Many of the new projects have major current or future effects on Canada's commodity trade — both imports and exports — and, of course, the servicing of the investments will almost certainly lead to new debits in the future. The foreign investments are, moreover, one of the causes of the strong demands felt in almost every sector of the economy, and are thus among the factors contributing to the growing imports of goods and services from other countries associated with buoyant and prosperous conditions in Canada. It is, of course, the case that these inflows which have been among the generators of rapid Canadian expansion have served to finance the current account deficits to which they contributed. They have indeed been a source of great strength in the value of the Canadian dollar on the world's exchange markets.

United States capital accounted for $306 million, or about three-quarters of the net movement. This was about the same proportion as in 1954 when the net inflow from the United States was $288 million, but it was somewhat lower than in previous years. Inflows from the United Kingdom totalled $66 million compared with $75 million in 1954, while the movement from other overseas countries reached $38 million in 1955, representing an increase of $9 million over the previous year.

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1. Canada's International Investment Position 1926-1954.

STATEMENT 12. United States Direct Investment in Canada, 1946-1955

(Millions of dollars)

Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[2]	1946-1955
Gross inflows of new capital:											
Petroleum industry (exploration, development, refining, transportation, and merchandising	2	12	23	59	116	140	178	172	187	192	1,081
Mining n.i.e.	—	2	5	10	30	37	98	104	66	69	421
Pulp and paper	20	11	14	3	9	31	7	1	23	32	151
Manufacturing n.i.e.							71	52	41	67	
Utilities n.i.e.							2	6	2	2	
Merchandising n.i.e.	41	41	37	42	88	101	5	31	9	18	727
Financial							1	13	15	17	
Miscellaneous							2	4	7	12	
Sub-total	**63**	**66**	**79**	**114**	**243**	**309**	**364**	**383**	**350**	**409**	**2,380**
Return of capital	25	8	18	30	43	39	45	37	62	103	410
Net capital inflow for direct investment (Table I, item D1)	38	58	61	84	200	270	319	346	288	306	1,970
Net other identified capital movements affecting the investment of United States residents in United States-controlled enterprises[1]	- 43	- 35	20	17	17	34	129	- 2	28	45	210
Net capital inflow	**- 5**	**23**	**81**	**101**	**217**	**304**	**448**	**344**	**316**	**351**	**2,180**
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	129	97	178	187	114	166	188[3]	330	218[2]	509[3,4]	2,116
Net increase in book value (Table IXB)	**124**	**120**	**259**	**288**	**331**	**470**	**636**	**674**	**534[2]**	**860[4]**	**4,296**

1. New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
2. Preliminary.
3. This figure is affected by unusually large reclassifications between direct and portfolio investments and by possible revisions of the 1954 totals.
4. Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross domestic investment as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

Detail of the movements of capital for United States direct investment in Canada over the past decade appears in statement 12, which also indicates the other factors contributing to the growth in the book value of these investments. Preliminary data for 1955 reflect gross inflows to the petroleum industry as a whole of $192 million, slightly more than in 1954 to set a new record. The inflow to mining companies (other than those engaged primarily in petroleum, exploration and development) amounted to $69 million, slightly above the figure for 1954 but well below the totals for the two previous years. Gross inflows to the petroleum industry and mining accounted for somewhat less than two-thirds of the gross direct investment inflows from the United States in 1955, but if account is taken of repatriation, the proportion of net direct investment inflows covered in these areas was about 85 per cent. The gross inflow to the pulp and paper industry was of the order of $32 million, and to manufacturing, other than petroleum refining and pulp and paper companies, $67 million, but these inflows were in each case offset by larger than usual repatriations and the net inflows for direct investment were smaller than in 1954. Gross inflows for other types of United States direct investment totalled $49 million. The gross movement inwards totalled $409 million — the highest on record — but there were outflows from Canada representing the return of capital in the amount of $103 million, leaving net direct investment inflows of $306 million. Other capital movements are estimated to have added an additional $45 million to United States investment in controlled enterprises in Canada. The total movement of $351 million was some 10 per cent higher than in 1954 and was exceeded only in 1952. The book value of United States direct investment in Canada at the end of 1955 is provisionally estimated at $6,600 million. The increase of $860 million over the estimate for the end of 1954 is thus some $509 million higher than the estimated capital inflow. While this figure includes undistributed profits accruing to non-resident owners, it also reflects some larger than usual reclassifications from the portfolio to the direct investment sector, and it may be affected by possible revisions in the data for 1954 and 1955 neither of which are yet complete.

During the ten years since the end of 1945, the gross direct investment inflows from the United States have totalled $2.4 billion, of which $1.1 billion represented inflows to the petroleum industry and $0.4 billion to mining companies. Some $0.4 billion of capital was returned to the United States

but there were other inward capital movements of $0.2 billion. These net movements added $2.2 billion to the book value of United States direct investments in Canada. All other factors, mainly undistributed profits, added a further $2.1 billion.

The net flow of direct investment funds from the United Kingdom during 1955 totalled $66 million, some $9 million below the revised total for 1954. The petroleum industry and mining companies received about four-tenths of the net flow, manufacturing companies other than refiners about four-tenths, and the balance went mainly to financial companies and merchandisers.

Movements of direct investment capital from other overseas countries totalled $38 million, $9 million higher than in 1954 and slightly above the previous post-war record set in 1953. The capital was mainly of Western European origin. About one-third of the net inflow went to the petroleum industry and about one-half to manufacturers other than refining companies.

Direct Investment Abroad

The net outflow of capital for direct investment in Canadian enterprises abroad totalled $67 million in 1955, some $14 million below the post-war record established in 1954. The largest part of the total was to finance expansion of Canadian manufacturing enterprises, mainly in the United States. There were also significant outflows of capital for the acquisition of interests in the United States in the merchandising field, and for petroleum exploration and development in the United States and elsewhere.

Trade in Outstanding Canadian Securities

Trade in outstanding Canadian securities led to a net capital outflow of $17 million in 1955. This figure may be compared with the net inflow of $63 million which occurred in 1954 and which succeeded two years of net outflows aggregating $125 million. The net capital outflow from Canada arising from all Canadian portfolio security transactions in 1955 was larger than the balance on account of trade in outstanding issues. New issues led to a net inflow of $166 million, but there were retirements leading to a capital outflow of $184 million. The net outflow from all Canadian security transactions in 1955 was $35 million, in contrast to an inflow of $191 million in 1954. There were net inflows in each earlier post-war year since 1949.

The volume of trading in outstanding securities soared to new heights. Turnover exceeded $1,800 million, surpassing by more than one-half the record established in 1954. As has been true each year since 1950, Canadians repurchased bonds

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1955

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Issues	Proceeds of New Issues	Retirements	Total
By Type of Security				
Bonds and Debentures:				
Government of Canada, direct	- 69	+ 5	- 54	- 118
Government of Canada, guaranteed	- 22	—	- 46	- 68
Provincial government (including guaranteed)	- 59	+ 3	- 19	- 75
Municipal government	- 6	+ 44	- 19	+ 19
Railways, not guaranteed by Government	—	—	- 3	- 3
Other corporations	- 9	+ 48	- 37	+ 2
Sub-total: Bonds and Debentures	**- 165**	**+100**	**- 178**	**- 243**
Common and Preference Stocks	+148	+ 66	- 6	+208
Total (Table I, items D3, 4, 5)	**- 17**	**+166**	**- 184**	**- 35**
By Country				
United States	- 62	+127	- 169	- 104
United Kingdom	+ 26	+ 15	- 11	+ 30
Other Sterling Area Countries	—	—	—	—
Other O.E.E.C. Countries	+ 21	+ 21	- 3	+ 39
Other Countries	- 2	+ 3	- 1	—
Total (Table I, items D3, 4, 5)	**- 17**	**+166**	**- 184**	**- 35**
By Quarter				
First quarter	- 31	+109	- 85	- 7
Second quarter	+ 7	+ 29	- 62	- 26
Third quarter	- 21	+ 16	- 18	- 23
Fourth quarter	+ 28	+ 12	- 19	+ 21
Total (Table I, items D3, 4, 5)	**- 17**	**+166**	**- 184**	**- 35**

of Canadian debtors but sold stocks of Canadian corporations. But during the year, Canadians sold to non-residents, on balance, $148 million of outstanding Canadian common and preference stocks, thus substantially exceeding the record net sale of $129 million set in the preceding year. Repatriation of Canadian bonds and debentures amounted to $165 million comparing with only $66 million in 1954, and almost reaching the record level set in 1952 when strength in the balance of payments set off a sharp climb of the Canadian dollar to its highest value in history.

The general pattern of trading over 1955, reviewed on a quarterly basis, was somewhat more complex than in 1954 when it could be simply described as increasing volume and increasing disparity between the balances on account of transactions in Canadian stocks and in Canadian bonds and debentures. Turnover continued to increase until it exceeded $500 million in the third quarter of 1955, after growing from less than $140 million in the third quarter of 1953. But in the final quarter of 1955, reduced trading of both bonds and stocks reduced the turnover to less than $400 million, or below the levels of the preceding three quarters. Repatriation of Canadian bonds and debentures reached a record level of $83 million in the first quarter of the year, but declined in the second and third quarters. A sales balance appeared for the first time in 1955 in September, and for the final quarter of the year there were net sales of $15 million.

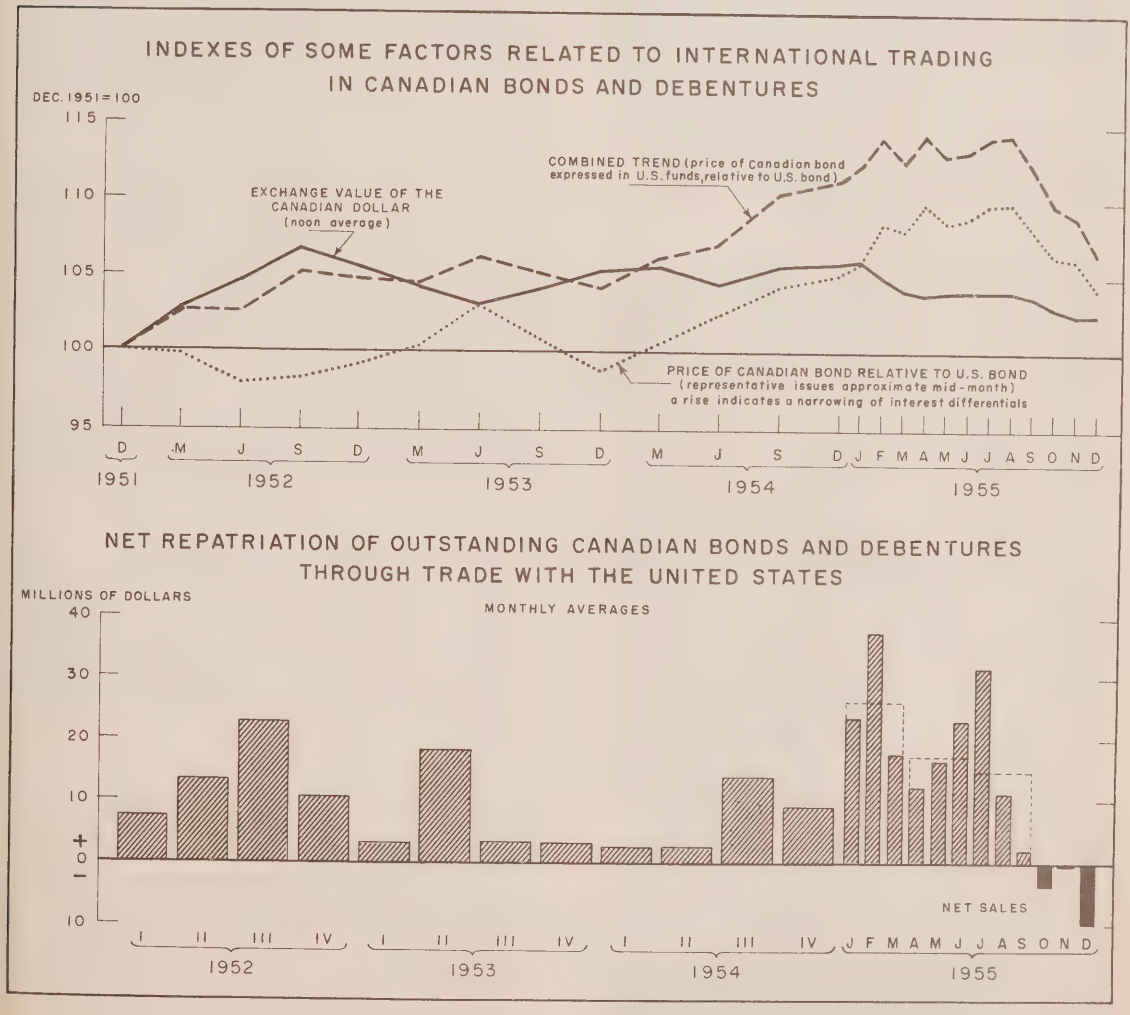
Net sales of Canadian common and preference stocks which had amounted to some $47 million in the fourth quarter of 1954 continued at a rate of between $50 million and $60 million in the first and second quarters of 1955, but then declined by about half in the third and by about three-quarters in the final quarter of the year. In the fourth quarter of 1954 the net capital movement as a result of trade in all outstanding Canadian securities, had been an inflow of $18 million. This was succeeded by an outflow of $31 million in the first quarter of 1955 as repatriation of bonds and debentures reached unprecedented levels. As the rate of repatriation contracted in the next quarter, a capital import of $7 million occurred. In the third quarter, the net sale abroad of Canadian stocks fell, as has been noted, and a capital outflow of $21 million occurred from trading in all Canadian securities. In the fourth quarter of 1955, for the first time since early 1951, the capital movements from trading in Canadian bonds and debentures were in the same direction as those in Canadian stocks, and despite a further decline in net sales of stocks, there was a capital inflow of $28 million.

The trade between Canada and the United States led to a net capital outflow of $62 million in 1955. Transactions in 1954 were virtually in balance, but there were larger outflows in both 1952 and 1953 than in 1955. A striking increase occurred in 1955 in repatriation from the United States of outstanding issues of Canadian bonds and debentures. The net movement totalled $159 million compared with $87 million in 1954, and was only slightly surpassed by the repatriation in 1952. The largest part of the movement, amounting to $61 million, was in Government of Canada direct issues. It is believed that more than two-thirds of this was in issues payable in United States currency whereas in 1954 only about a quarter of the much smaller total of $36 million was in those issues. This division of the trading is of significance because the investor's primary exchange risk lies with the foreign investor in the case of Canadian dollar issues but with the Canadian holder in the case of issues payable solely in foreign currencies. Net repatriation in 1955 of provincial issues was only slightly smaller than in the case of Government of Canada direct issues. Market comment on the trading of these bonds suggests that increased repatriation of issues payable optionally or solely in foreign currencies may have played a significant part in the increase of the net movement from the figure of $33 million recorded in 1954. The next largest group of net repurchases was of Government of Canada guaranteed issues although the figure of $21 million was well below the total of $32 million for 1954. Unlike 1954, net repatriation resulted from trade in both Canadian municipal and corporation bonds in 1955. The trade in outstanding Canadian bonds and debentures was no doubt influenced in part by the narrowing of the margin between interest rates in Canada and the United States and by the declining premium on the Canadian dollar in terms of United States currency.

Interrelationships between the exchange rate, the differential in interest rates in Canada and the United States, and trade between the two countries of outstanding Canadian bonds and debentures, are indicated in the accompanying chart. Indexes are shown for the exchange value of the Canadian dollar, for the price in Canadian dollars of a representative Canadian Government long-term bond (2 ¾/68) relative to the price in United States dollars of a roughly comparable United States Treasury issue (2 ½/68), and for a combination of the two series. The combined index measures changes in the price to a United States investor of the Canadian issue, in terms of the roughly comparable United States issue, while the other indexes are approximate measures of the components of exchange rate and interest rate differentials.

The changing interplay of these elements will be apparent. Developments in the years from 1952 to 1954 were discussed in detail in the preceding report in this series. As has been shown in statement 3, during 1955 the price of the United States dollar in Canada rose from 96.59 cents to 99.91 cents. Most of the change occurred in the first and final quarters of the year. The noon average price of the United States dollar in Canada in the final quarter of 1954 had been 96.90 cents, and it rose

in successive quarters of 1955 to 97.60 cents, 98.54 cents, 98.58 cents, and 99.81 cents. Interest rates in both Canada and the United States rose over 1955 as a whole. The differential between yields in mid-December 1955 on the representative issues mentioned in the preceding paragraph was 56 base points (3.42 per cent for the Canadian versus 2.86 per cent for the United States issue) compared with 43 base points a year earlier. But on three occasions during the year, April, July, and August, the mid-month differential was 5 base points or less. These developments are shown on the upper portion of the chart, and the interrelationship with net trade of outstanding Canadian bonds and debentures between Canada and the United States shown in the lower section is evident. It should again be recorded, however, that while the series shown are among the more significant factors related to international trading in Canadian bonds and debentures, there are many other influences which are not reflected. Among these are the existence of issues payable in foreign currencies, and corporate issues carrying conversion or stock purchase privileges to which special considerations may apply. Moreover, repatriation of outstanding Canadian bonds and debentures owned in the United States is limited by the amount of these holdings available. The United States portfolio of Canadian Government bonds and debentures payable in Canadian dollars, holdings which might be particularly responsive to the factors indicated in the chart, has been greatly reduced in recent years. Analysis of the foreign portfolio of Canadian bonds and debentures classified by currency of payment will be found in a later section of this report.



While Canadians were repatriating outstanding Canadian bonds and debentures from the United States at a near record rate, they were selling outstanding Canadian stocks on an unprecedented scale. The net capital inflow from the trade in Canadian common and preference stocks with the United States amounted to $97 million in 1955, which followed inflows of $87 million in 1954 and $6 million in 1953. On balance, a very substantial part of the net sales since mid-1954 reflects the transactions of seven investment funds established as Canadian diversified management investment companies following a change in United States administration arrangements which facilitated their formation. These funds provide important advantages to United States investors under the tax structure in effect in that country. As their essential characteristic is United States portfolio investment in Canada, notwithstanding the legal status of the funds as Canadian corporations, they are treated as representing United States portfolio investors, and their transactions with Canadians are included in statistics of international security trading. By the end of 1955, the aggregate investment in Canada of these funds exceeded $200 million. Part of these investments had been acquired by merger, however, while a part of the value represented market appreciation of the portfolios, and another part represented holdings of Canadian dollars in the form of bank balances, treasury bills, and short-term notes.

For the third successive year since 1937, Canada had a sales balance from trade in outstanding Canadian securities with the United Kingdom, and the net capital inflow of $26 million fell just short of the balance for 1953. Canadian equities continued to play a growing role in the net sales to United Kingdom residents. Net sales of Canadian common and preference stocks reached nearly $28 million, about as high a figure as for the two previous years combined.

Transactions with other countries led to a net capital inflow of $19 million. The net inflow was exceeded in only three earlier years, 1951, 1953, and 1954; in the latter year the employment in Government of Canada obligations of funds raised in the Canadian capital market by an international institution accounted for more than one-half of the record net inflow of $42 million. Sales of outstanding Canadian common and preference stocks to overseas countries other than the United Kingdom accounted for a net import of $23 million of capital in 1955. This was only $4 million below the record of nearly $27 million established in 1951. There was some repatriation of Canadian funded debt owned abroad, amounting to about $4 million.

The net sales to all non-residents of outstanding Canadian stocks represented about 4 per cent of the quoted value of listings on the principal exchanges in Canada in both 1954 and 1955, but the significance of this figure is limited because by no means all of the issues listed are "in the market". Gross sales to non-residents, although some 80 per cent higher than in 1954, continued to account for nearly one-fifth of the value of transactions on the exchanges. Taking into account new issues and retirements, non-resident acquisitions of Canadian stocks during the year amounted to $208 million compared with net new issues of Canadian stocks during the year recently estimated by the Bank of Canada to total some $440 million. During 1954, non-residents acquired on balance $140 million of Canadian stocks and the net new issues by Canadian companies during the year were $172 million. The increasing role played on balance by Canadian investors in the new equity financing of Canadian corporations through public issues of stock in 1955 may have been influenced by important new issues offered to shareholders by seasoned Canadian companies in which Canadian holdings were already large; some of these issues were not registered with Securities and Exchange Commission in the United States and were consequently not offered to shareholders resident in that country.

More extensive analysis of Canada's international security trading will be found in the DBS report on "Sales and Purchases of Securities between Canada and other Countries, December, 1955, and Review of Security Trading during 1955".

New Issues and Retirements of Canadian Securities

The proceeds of new issues of Canadian securities sold abroad amounted to $166 million compared with $331 million in 1954. Details of these transactions in 1955 will be found in statement 13. Sales of bonds totalled $100 million, a reduction of $212 million from the level in 1954, but new issues of stocks rose $47 million to total $66 million in 1955. The bonds sold in 1955 included $55 million payable in Canadian dollars only and $45 million payable optionally or solely in foreign currencies. In 1954 the Canadian dollar issues had accounted for $67 million of the total and the foreign currency issues for $245 million.

These movements were influenced by the changes in interest rate differentials to which reference has already been made. Reflecting not only the increase in the interest rate differential in the latter part of the year but also the smaller discount on the United States dollar in Canada, negotiations were completed late in the year with United States underwriters for the sale in that country in 1956 of new issues of several Canadian debtors.

Nearly two-thirds of the sales in 1955 occurred in the first quarter of the year when there were several municipal issues floated on the New York market as well as participation by foreign investors in issues of corporate bonds payable in Canadian dollars and floated in Canada. Also important were subscriptions from non-resident shareholders to new issues of industrial and bank stocks. Sales to United States investors accounted for three-quarters of all new issues sold abroad, in contrast to 1954 when they accounted for more than 90 per cent.

Retirements of Canadian securities held by non-residents amounted to $184 million during 1955, compared with $203 million in 1954. A negotiated repurchase by the Government of Canada of Canadian bonds and the maturing in non-resident hands of substantial holdings of Government guaranteed bonds accounted for more than one-half of the total. More than 90 per cent of the bonds retired were payable optionally or solely in foreign currencies and more than 90 per cent were owned in the United States. The retirements were concentrated in the first and second quarters of the year.

Transactions in Foreign Securities

Canadians continued, on balance, to dispose of foreign securities through sales abroad of outstanding issues. The net capital inflow for the year as a whole amounted to $16 million compared with $7 million in 1954. There were inflows in each quarter of 1955 except the second. Thus the trend towards liquidation by Canadians of holdings of foreign securities, which has been typical of most of the war and post-war period, was re-established in 1955. In the preceding year, net purchases of foreign securities by Canadians had occurred in the last two quarters. The exceptional purchase balance recorded in the second quarter of 1955 was entirely the result of marked interest by Canadian investors in the securities of certain United Kingdom companies.

Transactions with the United States led to an inflow of $28 million which in the post-war period was surpassed only in 1950 when exchange rate considerations led to very heavy repatriations. On balance, this trade in 1955 reflected the sale by Canadians of United States stocks. But significant interest developed among Canadian investors during the second quarter of the year in the stocks of some United Kingdom corporations and as a result there were net outflows to that country on account of trade in outstanding securities amounting to $10 million for the year as a whole. Market comment indicates that the issues attracting considerable attention included stocks of pulp and paper, chemicals, textiles, automobiles, aircraft and newspaper companies.

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1955

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Foreign Securities	Proceeds of New Issues of Foreign Securities	Retirements	Total
Foreign Bonds	- 1	- 42	+ 15	- 28
Foreign Common and Preference Stocks	+ 17	- 6	+ 2	+ 13
Total (Table I, items D6,7,8)	**+ 16**	**- 48**	**+ 17**	**- 15**
By Country				
United States	+ 28	- 8	+ 2	+ 22
United Kingdom	- 10	- 2	—	- 12
Other Sterling Area	—	- 19	—	- 19
Other O.E.E.C. Countries	- 2	—	—	- 2
Other Countries	—	- 19	+ 15	- 4
Total (Table I, items D6,7,8)	**+ 16**	**- 48**	**+ 17**	**- 15**
By Quarter				
First quarter	+ 12	- 5	+ 3	+ 10
Second quarter	- 8	- 17	—	- 25
Third quarter	+ 4	- 4	+ 14	+ 14
Fourth quarter	+ 8	- 22	—	- 14
Total (Table I, items D6,7,8)	**+ 16**	**- 48**	**+ 17**	**- 15**

Purchases by Canadians of new issues of foreign securities represented a capital outflow of $48 million. Included were a number of new issues floated in the Canadian market. The two largest borrowers were the International Bank for Reconstruction and Development and the Commonwealth of Australia. Other new issues in Canada included the sale of debentures by a corporation organized under Canadian law for the purpose of carrying on business entirely outside Canada, and an issue placed with Canadian underwriters by a United States corporation. Among other purchases made by Canadians were those of shareholders of foreign companies which offered subscription privileges to their shareholders. Retirements totalling $17 million were dominated by the call in advance of maturity of an issue floated in Canada several years ago by the International Bank for Reconstruction and Development.

Loans by Government of Canada

Repayments on war and post-war loans made by Canada to overseas countries totalled $69 million in 1955, compared with $72 million in 1954. The United Kingdom repaid $45 million on the loans of 1942 and 1946, and there were also receipts from Belgium, Czechoslovakia, France, Indonesia, the Netherlands and the U.S.S.R. aggregating $24 million[1]. A further $34 million was received by way of interest on the loans and is included as investment income in the current account.

In the six years since the end of 1949, Canada's outstanding loans to other governments have been reduced from $2,000 million to $1,635 million. The most important debtor is the United Kingdom which accounted for $1,202 million of the total debt. Post-war loans outstanding to other governments under Part II of the Export Credits Insurance Act amounted to $395 million, and agreed payments of principal due in 1955 were met on $345 million of these loans. Other loans outstanding at the year-end amounted to about $38 million and included $31 million of inactive loans made after the war of 1914-18.

Change in Canadian Dollar Holdings of Foreigners

The increase in 1955 in holdings of Canadian dollars by non-residents represented a capital inflow of $89 million. This was the largest annual change in any post-war year except 1950 and 1951 when exchange rate expectations led to an extraordinarily large inflow and subsequent reflux. Three-quarters of the increase was for the account of United States residents and the balance was about equally divided between residents of the sterling area and of other overseas countries. A significant part of the increase in United States holdings represented short-term holdings by investment funds awaiting suitable investment opportunities. Total holdings at the year-end amounted to about $435 million. These included about $45 million of Canadian treasury bills and about $390 million of claims in Canadian dollars on Canadian banks and other depositories.

Change in Official Holdings of Gold and Foreign Exchange

In the course of the operations of the Exchange Fund Account and the other international transactions of the Government during the year, the authorities reduced official holdings of gold and foreign exchange by $44 million. A capital inflow of $71 million occurred from the reduction of these holdings during the first quarter of the year, and there were outflows of $56 million and $7 million in the second and third quarters of the year, followed by a capital inflow of $36 million in the final quarter. Some $2 million of the inflow for the year as a whole covered holdings of sterling, and the balance holdings of gold and United States dollars which fell, in terms of United States dollars, from $1,943 million at the end of 1954 to $1,901 million at the end of 1955. A month-end low point of $1,840 million was recorded in February and in July the holdings reached a month-end peak of $1,938 million, only slightly below the record holdings with which the year began. The largest change, a reduction of $94 million, occurred in February. The Minister of Finance revealed that part of the amount had been used for the purchase of $50 million of Canadian bonds held in the United States and payable in United States currency. Holdings of sterling are limited to working balance and were of the order of $9 million at the end of 1955.

Other Capital Movements

On balance all other capital movements served to finance $197 million equivalent to more than one quarter of Canada's current account deficit in 1955. Some of the significant components are indicated in statement 15 which also gives revised statistics for 1954 and corresponding figures for four preceding years. A detailed description of these items and of some of the factors influencing them appeared on pages 21 and 22 of the report for 1954 and is not repeated here. The net inflow in 1955 reduced the cumulative outflow from this group of movements since the end of 1949 from $386 million to $189 million. This latter figure covering a six year period reflects net long-term inflows, other than those arising from direct investment, security transactions, and official government loans, in the amount of $95 million, and borrowings by Canadian finance companies of $88 million. Outflows included a reduction of $50 million in short-term Canadian dollar holdings of the International Bank for Reconstruction and Development (which may be regarded as the implementation of Canada's long-term subscription to this institution), and an increase of $192 million in bank balances and other

1. The repayment of $3 million by Indonesia represented the final instalment on a loan in excess of $15 million.

STATEMENT 15. Estimated Composition of "Other Capital Movements" 1950-1955

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

	1950	1951	1952	1953	1954	1955[1]	Total 1950-1955
Transactions with all countries:							
Loans by Government of United Kingdom to a Canadian Corporation	—	25	22	20	—	—	67
Other long-term capital transactions	- 5	3	- 24	- 10	29	35	28
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development	- 5	- 4	- 1	- 18	- 13	- 9	- 50
Bank balances and other short-term funds abroad (excluding official reserves)[2]	11	- 14	- 168	- 79	- 75	133	- 192
Borrowings by Canadian finance companies	—	—	35	19	11	23	88
All other transactions including changes in loans and accounts receivable and payable[3]	209	118	- 375	- 117	20	15	- 130
Total (Table I, items D15 and D17)	**210**	**128**	**- 511**	**- 185**	**- 28**	**197**	**- 189**

1. Preliminary estimate.
2. Estimated partly from United States and other Non-Canadian sources, as Canadian data do not cover all holdings; includes in 1950 use of loan proceeds set aside in 1949 (+ 18).
3. Includes also balancing item representing difference between direct measurements of current and capital accounts.

short-term funds abroad (excluding official holdings of gold and foreign exchange) some part of which must be regarded as a long-term increase in necessary working capital abroad. All other transactions including changes in loans and accounts receivable and payable, and the balancing item representing the difference between direct measurements of the current and capital accounts, amounted to a net outflow of $130 million over the six year period. Most of this movement occurred prior to 1954 and has been discussed in earlier reports.

About two-thirds of the balance from these transactions during 1955 represented the net drawing down of Canadian-owned bank balances and other short-term funds abroad. The quarterly estimates shown in Table IV indicate that there was an outflow of $16 million on account of all "other capital movements" in the first quarter of 1955, followed by successive quarterly inflows of $122 million, $1 million, and $90 million over the balance of the year.

Reflected among the figures for changes in bank balances and other short term funds abroad is one type of capital movement which occurred during the year and which is of special interest as an indication of the revival of a functioning international money market, although the net effects over the year as a whole were not large. In the latter part of 1954, yields on Canadian treasury bills fell while those on United Kingdom issues increased. At the same time, there was a significant premium on forward sterling. During December, these factors combined to provide opportunity for Canadians to place funds in London on a 90-day swap basis to yield a return of better than 2½ per cent per annum in contrast to the yield of slightly over 1 per cent on Canadian treasury bills. Interest arbitrage of this character is estimated to have amounted to $23 million in December 1954, apart from the employment of funds by the banking system.

Further net movements of short-term funds to the United Kingdom occurred in each month of the first quarter of 1955, by the end of which holdings totalled $75 million. During this period, a discount developed on forward sterling, increasing the cost of exchange protection on the swap transactions. But yields on United Kingdom treasury bills rose sharply, while those on Canadian treasury bills, after falling in the first half of the quarter, rose again and by the end of the quarter had regained the earlier levels. Over the next six months, yields on United Kingdom treasury bills rose moderately but there were much sharper increases in both the discount on forward sterling and on obtainable yields in Canada. As a consequence, the London market became less attractive to Canadian funds and Canadian holdings fell to $4 million by the end of September. In September and October, interest arbitrage movements to the United Kingdom were moderately advantageous, and there was a relatively small amount of funds placed in London. At the year-end, holdings totalled $6 million.

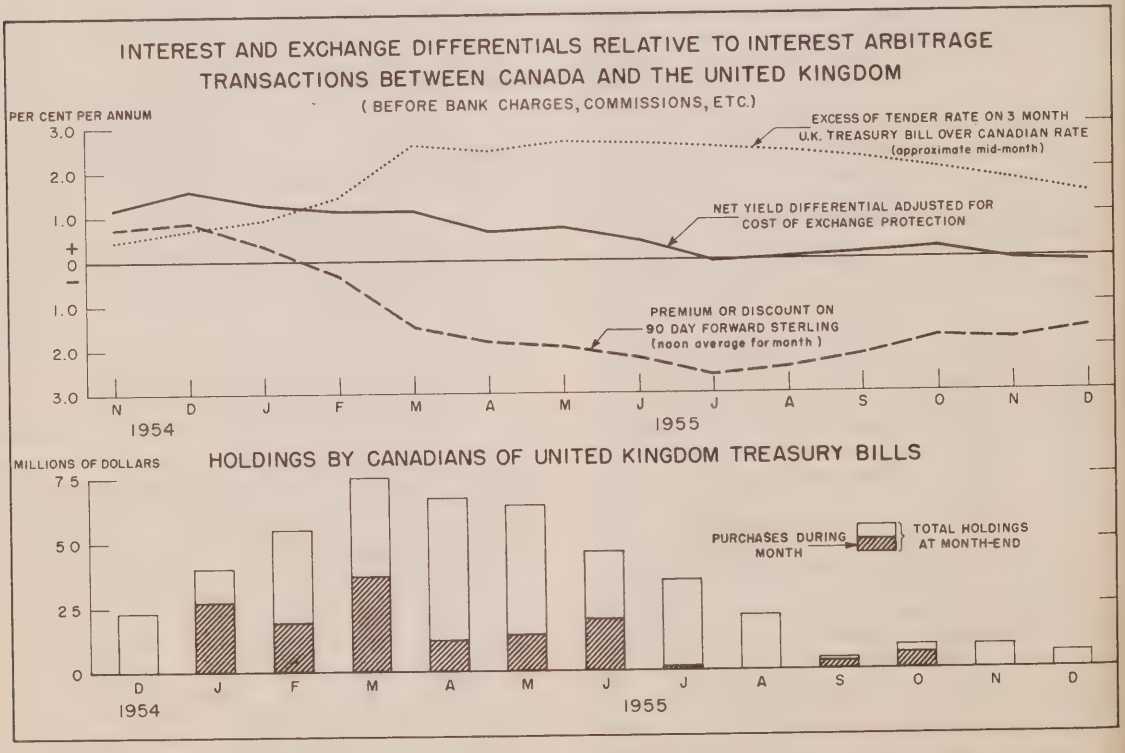
Details of these transactions appear in state-16, and in the accompanying chart.

STATEMENT 16. Interest Arbitrage Transactions of Canadians
Estimated Transactions in United Kingdom Short-term Government Securities

(Millions of Canadian dollars)

Month	Purchases	Sales and Maturities	Net Change in holdings	Holdings at month-end
1954 — December	...	...	...	23
1955 — January	27	10	+ 17	40
February	19	4	+ 15	55
March	42	22	+ 20	75
April	12	20	- 8	67
May	14	17	- 3	64
June	20	38	- 18	46
July	1	12	- 11	35
August	—	14	- 14	21
September	3	20	- 17	4
October	6	1	+ 5	9
November	—	—	—	9
December	—	3	- 3	6
Year 1955	**144**	**161**	**- 17**	**6**

The figures given in this table are exclusive of the employment of funds by the banking system.
Note: An increase in holdings (+) represents a capital outflow which would be designated minus (-) in statistics of capital movements.



Canada's International Investment Position

Rapid changes have been occurring in Canada's international investment position as a result of the large capital inflows and the retention of earnings in recent years. The balance of indebtedness has risen to a new peak but even more significant changes have occurred in the extent of non-resident investment in Canadian industry, a sphere where most of the development financed by non-resident sources of capital has occurred. Non-resident investments in Canada of a long-term character have risen to a new peak of $13.5 billion from $8.0 billion as recently as 1949, and more than three-quarters of this increase in the last half dozen years has been in the value of direct investments. Most of the remainder of the increase has been in portfolio investments in industry. In contrast non-resident ownership of the funded debt of Canadian governments and municipalities declined in 1955 and was less than for some years. In the case of the direct investments there is a particularly large proportion invested in a relatively small number of large enterprises as is shown in new data presented below.

Canada's gross external liabilities at the end of 1955 totalled $14.7 billion, including some $13.5 billion of long-term investments. Gross external assets amounted to $7.0 billion, including $2.8 billion of private long-term investments abroad. Details of Canada's balance of international indebtedness will be found in table V. The net liability at the year-end of $7.7 billion may be compared to the balance of $3.7 billion in 1948 and 1949, and to the total of $6.5 billion recorded in 1930 following a period of intensive investment.

The increase in our net external debt during 1955 is recorded at $1.0 billion, reflecting additions of $1.1 billion and $0.1 billion to gross liabilities and gross assets respectively, but the figures for 1954 are subject to revision and those for 1955 are preliminary. The total growth in net indebtedness is larger than the current account deficit by nearly $0.3 billion. In the main this is because of a net liability incurred in respect of retained earnings on foreign-owned investments in Canada and on Canadian investments abroad, although there are also other factors giving rise to differences.

The Bureau has published within the past year an extensive study covering Canada's International Investment Position from the years 1926 to 1954[1]. The material covered in that study is not repeated here, although the tables normally published in this series of reports are included in abridged form as tables V to XI. The following text and statements relate only to new data not heretofore published.

1. Canada's International Investment Position 1926-1954, Dominion Bureau of Statistics (1956). Price $1.00. Ottawa, Ontario.

STATEMENT 17. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1955

(Billions of dollars)

Item	1926	1930	1939	1945	1949	1952	1953	1954	1955
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	11.4	12.6	13.6	14.7
Gross external assets	1.3	1.5	1.9	3.8	5.2	6.4	6.6	6.9	7.0
Net Indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**5.0**	**6.0**	**6.7**	**7.7**

A preliminary estimate of the book value of United States investments in Canada at the end of 1955 appears in statement 18. Direct investments are placed at $6.6 billion, well over twice the figure five years ago. The total value of United States investments in Canada of over $10.3 billion is more than twice the figure at the end of World War II.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends 1930-1955

(Millions of dollars)

Classification	1930	1945	1949	1951	1952	1953	1954	1955[2]
Direct investment	1,993	2,304	3,095	3,896	4,532	5,206	5,740	6,600
Government and municipal bonds	1,205	1,450	1,534	1,898	1,835	1,870	1,822	1,649
Other portfolio investments	1,368	1,106	1,106	1,269	1,382	1,535	1,641	1,575
New investment funds	—	—	—	—	—	—	117	170
Miscellaneous assets	94	130	170	195	249[1]	257	302	355
Total book value	**4,660**	**4,990**	**5,905**	**7,258**	**7,998**	**8,868**	**9,622**	**10,349**

1. New series not strictly comparable with earlier years.
2. Provisional estimate subject to revision.

Statement 19 gives non-resident ownership as a percentage of selected Canadian industries for various years between 1926 and 1953. The subject of non-resident ownership and control has been discussed at length in the DBS report to which reference has already been made. Briefly, every company in the Bureau's records is classified as to whether it is "controlled" in Canada, in the United States, in the United Kingdom, or in some other overseas country. The general basis of determination is the holding of 50 per cent or more of the voting stock in a country outside Canada, although account is also taken of the existence of smaller concentrated holdings which may constitute effective control. The classification cannot be taken as indicating where corporate decisions are made at any given moment of time, but is a reasonable measure of the potential for control should the owners wish to exercise it. The existence of this potential control, whether directly exercised or not, may of course be an influence in managerial decision.

STATEMENT 19. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1953

Industry classification	1926	1930	1939	1948	1951	1952	1953
Percentage of total owned by all non-residents:							
Manufacturing[1]	38	40	42	42	44	46	47
Mining, smelting and petroleum exploration and development[1]	37	44	40	39	51	54	56
Steam railways	55	56	57	45	40	38	37
Other utilities	32	36	27	20	18	18	17
Total of above industries and merchandising	**37**	**39**	**38**	**32**	**32**	**32**	**32**
Percentage of total owned by United States Residents:							
Manufacturing[1]	30	33	34	35	36	38	38
Mining, smelting and petroleum exploration and development[1]	28	34	31	32	45	49	52
Steam railways	15	21	18	21	18	17	16
Other utilities	23	30	20	16	16	16	15
Total of above industries and merchandising	**19**	**24**	**22**	**23**	**24**	**25**	**25**

1. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in manufacturing.

For the industries covered in statement 19, taken as a whole, the aggregate capital controlled by non-residents is smaller than their total investment, because the foreign capital invested in Canadian controlled companies exceeds the Canadian capital invested in foreign controlled companies. In the fields of manufacturing, mining, smelting and petroleum exploration and development non-resident control is higher than non-resident ownership, but in utilities and merchandising the amount controlled by non-residents is considerably lower than their investment.

New information on the concentration and control of manufacturing and mining at the end of 1953 is shown in statement 20. This indicates that in terms of book value of investment about 60 per cent of petroleum exploration, development, and refining, 60 per cent of (other) mining and 40 per cent of (other) manufacturing were accounted for by 82 enterprises. The capital investments in these larger enterprises were about 80, 70, and 55 per cent respectively controlled outside Canada. In each of these areas of investment foreign control represents a significantly higher proportion of the large companies than it does of the industry as a whole. If account were taken of the changes in control which have occurred in this group of enterprises since 1953, the ratios of non-resident control would be 95, 75, and 57 per cent respectively (based on 1953 book values), or about two-thirds for the whole group.

STATEMENT 20. Manufacturing and Mining Enterprises in Canada, — Concentration and Control, End of 1953

	Petroleum exploration development, and refining		Mining other than petroleum exploration and development		Manufacturing other than petroleum refining		Total manufacturing and mining	
	All enterprises[1]	Large enterprises[2]	All enterprises[1]	Large enterprises[2]	All enterprises[1]	Large enterprises[2]	All enterprises[1]	Large enterprises[2]
	(Millions of dollars)							
Book values								
Controlled in Canada	582	191	726	319	4,290	1,572	5,598	2,082
Controlled outside Canada	1,186	831	898	676	3,839	1,877	5,923	3,384
Total	**1,768**	**1,022**	**1,624**	**995**	**8,129**	**3,449**	**11,521**	**5,466**
	(Per cent)							
Percentage distributions								
Total Industry	100	58	100	61	100	42	100	47
Controlled in Canada	33	19	45	32	53	46	49	38
Controlled outside Canada	67	81	55	68	47	54	51	62

1. The figures for all enterprises are derived from statement 20 in **Canada's International Investment Position 1926-1954** with the exclusion of petroleum enterprises whose primary activity lies outside manufacturing and mining.
2. Large enterprises include all manufacturing and mining companies with an aggregate investment in Canada of $25 million or more at the end of 1953. There were 13 such enterprises in the petroleum classification, 14 in other mining, and 55 in other manufacturing. For comment on more recent developments see accompanying text.

Further analysis of the production and employment of United States controlled manufacturing establishments summarized in statement 21 reveals additional evidence of the degree of concentration in larger establishments. While precise figures are not at present available for the group of establishments with employment below 500, it is evident that the ratio of selling value of factory shipments by United States controlled establishments would be in the neighbourhood of one-quarter. This ratio increases to 39, 45, and 52 per cent in the successively larger employment ranges shown.

STATEMENT 21. Share of United States Controlled Manufacturing Establishments in Selling Value of Factory Shipments, Employment and Earnings, Ranked by Employment, 1953

Number of Employees	Ratio of United States controlled manufacturing establishments to total		
	Selling value of factory shipments	Employment	Earnings
1,500 and over	52%	40%	41%
1,000 — 1,499	45%	41%	43%
500 — 999	39%	33%	36%
1 — 499	about 25%	n/a	n/a

Figures for the ownership and control of the book value of investment in the petroleum industry in Canada for the end of 1954 are now available and are published in statement 22. It should be emphasized that the data measure book values of investment for the industry as a whole. Because they are based on corporate financial records they are not designed to reflect investment in particular areas of the industry, for example exploration and development, in which the refining companies play an important role. Nor are they designed to measure physical aspects of particular segments of the industry, such as reserves, crude production, or refinery output.

STATEMENT 22. Estimated Book Value of Investment in the Petroleum Industry in Canada[1], Classification by Country of Ownership and Principal Activity of Company, End of 1945 and 1954

Investment in	Canada		United States		United Kingdom and Other Countries		Total	
	1945	1954	1945	1954	1945	1954	1945	1954
	(Millions of dollars)							
Exploration and Development companies:								
Controlled in Canada	48	346	1	43	1	5	50	394
Controlled in United States	4	44	4	607	—	1	8	652
Controlled in United Kingdom and other countries	—	4	—	—	—	15	—	19
Sub-total	**52**	**394**	**5**	**650**	**1**	**21**	**58**	**1,065**
Refining companies:								
Controlled in Canada	57	201	6	37	—	2	63	240
Controlled in United States	53	191	100	505	6	11	159	707
Controlled in United Kingdom and other countries	—	6	—	—	2	25	2	31
Sub-total	**110**	**398**	**106**	**542**	**8**	**38**	**224**	**978**
Merchandising companies:								
Controlled in Canada	19	50	—	—	—	—	19	50
Controlled in United States	—	—	6	8	—	—	6	8
Controlled in United Kingdom and other countries	[2]	—	[2]	—	[2]	—	[2]	—
Sub-total	**19**	**50**	**6**	**8**	**—**	**—**	**25**	**58**
Transportation companies:								
Controlled in Canada	—	14	—	2	—	—	—	16
Controlled in United States	[2]	41	[2]	156	[2]	1	[2]	198
Sub-total	**—**	**55**	**—**	**158**	**—**	**1**	**—**	**214**
All Petroleum companies:								
Controlled in Canada	124	611	7	82	1	7	132	700
Controlled in United States	57	276	110	1,276	6	13	173	1,565
Controlled in United Kingdom and other countries	—	10	—	—	2	40	2	50
Total	**181**	**897**	**117**	**1,358**	**9**	**60**	**307**	**2,315**
	Percentage Distribution of Ownership							
All Petroleum companies:								
Controlled in Canada	40.4	26.4	2.3	3.5	0.3	0.3	43.0	30.2
Controlled in United States	18.6	11.9	35.8	55.1	2.0	0.6	56.4	67.6
Controlled in United Kingdom and other countries	—	0.4	—	—	0.6	1.7	0.6	2.2
Total	**59.0**	**38.7**	**38.1**	**58.7**	**2.9**	**2.6**	**100.0**	**100.0**

1. Newfoundland is included with Canada in 1945 to preserve comparability with later series.
2. Investment is included with refining companies.

Classification of petroleum industry in investment records

Investment in:	Recorded in Tables VII to IX under:
Exploration and development companies	Mining and smelting
Refining companies	Manufacturing (non-metallic minerals)
Merchandising companies	Merchandising
Transportation companies	Public Utilities (other)

The estimated distribution of ownership of Canadian long-term funded debt outstanding at the end of 1955 is given in statement 23. By the end of 1955 Canadians held more than 90 per cent of the long-term funded debt of governments and more than 85 per cent of all long-term funded debt. At the end of 1954 the corresponding ratios were 89 per cent and 84 per cent. Subsidiary detail for the end of 1954 appears in statement 24 which shows the currency of payment and the holdings of United States life insurance companies and of United States parent companies and affiliates. These figures reflect the very great repatriation which has occurred in Government of Canada issues previously owned in the United States. At the end of 1954 holdings amounted to $515 million compared with $1,009 million at the end of 1950. Holdings of issues payable in Canadian dollars only were reduced to $265 million in 1954 from $652 million four years earlier, while those payable in foreign currencies were reduced to $250 million from $357 million. By the end of 1955 aggregate United States holdings of the Government of Canada issues had been reduced further to $403 million; most of the repatriation during the year was of issues payable in foreign currencies. In the case of funded debt of Canadian borrowers other than the Government of Canada, issues payable in Canadian currency only accounted for less than one-sixth of all holdings at the end of 1954 by United States residents. The proportion in the case of Government of Canada issues was somewhat more than one-half. The currency distributions are significant not only as an indication of the market for which the securities may have originally been intended and of the assumption of exchange risk by borrower or lender, but also because the response of international trading to changing levels of interest and exchange rates may vary with the terms of payment.

STATEMENT 23. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt End of 1955

(Millions of dollars)

Debtor	Amounts Outstanding	Distribution of Ownership			
		Canada	United States	United Kingdom	Other Countries
Government of Canada direct and guaranteed, excluding railways[1]	13,407	12,868	403	67	69
Provincial direct and guaranteed, excluding railways	3,639	2,751	836	39	13
Municipal	2,210	1,759	410	35	6
Sub-total Government bonds	**19,256**	**17,378**	**1,649**	**141**	**88**
Percentage distribution	**100.00%**	**90.25%**	**8.56%**	**0.73%**	**0.46%**
Steam railways	1,471	924	224	297	26
Other corporations	4,334	3,176	970	146	42
Total bonds and debentures	**25,061**	**21,478**	**2,843**	**584**	**156**
Percentage distribution	**100.00%**	**85.70%**	**11.35%**	**2.33%**	**0.62%**

1. Excluding 1,725 treasury bills and notes.

STATEMENT 24. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt Classification by Currency of Payment, End of 1954

(Millions of dollars)

Debtor and Currency	Amounts Outstanding	Distribution of Ownership			
		Canada	United States[1]	United Kingdom	Other Countries
Government of Canada, direct and guaranteed excluding railways:					
Payable in Canadian dollars only[2]	12,570	12,214	265	22	69
Payable in foreign currencies only	401	106	242	49	4
Payable optionally in Canadian or foreign currencies	9	1	8	—	—
Sub-total	**12,980**	**12,321**	**515**	**71**	**73**

STATEMENT 24. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt Classification by Currency of Payment, End of 1954 — Concluded

(Millions of dollars)

Debtor and Currency	Amounts Outstanding	Distribution of Ownership			
		Canada	United States[1]	United Kingdom	Other Countries
Provincial, direct and guaranteed excluding railways:					
Payable in Canadian dollars only	2,523	2,436	45	30	12
Payable in foreign currencies only	512	1	510	1	—
Payable optionally in Canadian or foreign currencies	392	26	359	7	—
Sub-total	**3,427**	**2,463**	**914**	**38**	**12**
Municipal:					
Payable in Canadian dollars only	1,591	1,489	72	26	4
Payable in foreign currencies only	284	13	267	3	1
Payable optionally in Canadian or foreign currencies	87	27	54	6	—
Sub-total	**1,962**	**1,529**	**393**	**35**	**5**
Steam Railways:					
Payable in Canadian dollars only	870	825	30	7	8
Payable in foreign currencies only	416	—	127	287	2
Payable optionally in Canadian or foreign currencies	259	116	117	4	22
Sub-total	**1,545**	**941**	**274**	**298**	**32**
Other corporations:					
Payable in Canadian dollars only	3,155	2,748	244	140	23
Payable in foreign currencies only	690	9	665	11	5
Payable optionally in Canadian or foreign currencies	79	16	63	—	—
Sub-total	**3,924**	**2,773**	**972**[3]	**151**	**28**
Total bonds and debentures:					
Payable in Canadian dollars only	20,709	19,712	656	225	116
Payable in foreign currencies only	2,303	129	1,811	351	12
Payable optionally in Canadian or foreign currencies	826	186	601	17	22
TOTAL	**23,838**	**20,027**	**3,068**	**593**	**150**

1. Bonds held by United States Life Insurance Companies (aside from business in Canada):

Government of Canada, direct and guaranteed excluding railways	144
Provincial, direct and guaranteed excluding railways	267
Municipal	219
Railways	687
Other corporations	
Total	**1,317**

2. Excluding 1,530 treasury bills and notes.

3. Corporate bonds held by United States parent companies and affiliates:

Payable in Canadian dollars only	4
Payable in foreign currencies only	141
Payable optionally in Canadian or foreign currencies	39
Total	**184**

TABLE I. Current and Capital Account of the Canadian Balance of International Payments Revised Estimates for 1954 and Preliminary Estimates for 1955

(Millions of dollars)

No.	Account	All Countries		United States		United Kingdom		Other Sterling Area		Other OEEC Countries		All Other Countries	
		1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	3,929	4,332	2,355	2,598	660	772	206	253	351	380	357	329
2	Mutual Aid to NATO Countries	284	222	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	155	155	155	155	—	—	—	—	—	—	—	—
4	Travel expenditures	305	328	283	303	13	13	3	4	4	5	2	3
5	Interest and dividends	147	160	69	82	35	38	17	21	12	12	14	7
6	Freight and shipping	313	385	169	199	73	94	18	27	29	36	24	29
7	Inheritances and immigrants' funds	89	86	42	45	19	20	4	4	20	13	4	4
11	All other current receipts	298	393	233	314	36	43	7	8	12	16	10	12
12	**Total Current Receipts**	**5,520**	**6,061**	**3,306**	**3,696**	**836**	**980**	**255**	**317**	**428**	**462**	**411**	**384**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	3,916	4,540	2,800	3,280	391	405	183	211	188	228	354	416
4	Travel expenditures	389	449	320	363	35	40	7	8	23	32	4	6
5	Interest and dividends	423	477	345	393	62	64	—	—	14	18	2	2
6	Freight and shipping	356	408	261	287	39	47	3	3	42	60	11	11
7	Inheritances and emigrants' funds	94	101	75	78	13	16	1	1	4	4	1	2
9	Official contributions	11	24	—	—	—	—	8	22	1	1	2	1
10	Mutual Aid to NATO Countries	284	222	—	—	—	—	—	—	—	—	—	—
11	All other current payments	479	532	312	336	67	67	9	12	63	89	28	28
12	**Total Current Payments**	**5,952**	**6,753**	**4,113**	**4,737**	**607**	**639**	**211**	**257**	**335**	**432**	**402**	**466**
	Balance on Merchandise Trade	+ 13	- 208	- 445	- 682	+ 269	+ 367	+ 23	+ 42	+ 163	+ 152	+ 3	- 87
	Balance on Other Transactions, excluding B9	- 434	- 460	- 362	- 359	- 40	- 26	+ 29	+ 40	- 69	- 121	+ 8	+ 6
	Official contributions	- 11	- 24	—	—	—	—	- 8	- 22	- 1	- 1	- 2	- 1
C	**Current Account Balance**	**- 432**	**- 692**	**- 807**	**-1,041**	**+ 229**	**+ 341**	**+ 44**	**+ 60**	**+ 93**	**+ 30**	**+ 9**	**- 82**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 392	+ 410	+ 288	+ 306	+ 75	+ 66	—	- 1	+ 29	+ 39	—	—
2	Direct investment abroad	- 81	- 67	- 46	- 54	- 16	- 3	- 7	- 4	- 2	—	- 10	- 6
	Canadian Securities:												
3	Trade in outstanding issues	+ 63	- 17	—	- 62	+ 21	+ 26	—	—	+ 14	+ 21	+ 28	- 2
4	New issues	+ 331	+ 166	+ 299	+ 127	+ 20	+ 15	—	—	+ 12	+ 21	—	+ 3
5	Retirements	- 203	- 184	- 184	- 169	- 12	- 11	- 5	—	- 1	- 3	- 1	- 1
	Foreign Securities:												
6	Trade in outstanding issues	+ 7	+ 16	+ 6	+ 27	+ 2	- 9	—	—	- 1	- 2	—	—
7	New issues	- 33	- 48	- 3	- 8	- 1	- 2	—	- 19	—	—	- 29	- 19
8	Retirements	+ 2	+ 17	+ 1	+ 2	—	—	+ 1	—	—	—	—	+ 15
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 42	+ 39	—	—	+ 15	+ 15	—	—	+ 20	+ 15	+ 7	+ 9
11	Repayment of war loans	+ 30	+ 30	—	—	+ 30	+ 30	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	+ 34	+ 89	+ 19	+ 66	+ 10	+ 9	- 4	+ 2	+ 4	+ 12	+ 5	—
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	- 124	+ 44	- 121	+ 42	- 3	+ 2	—	—	—	—	—	—
17	Other capital movements	- 28	+ 197	+ 18	+ 128	- 30	+ 80	- 2	+ 6	+ 3	- 3	- 17	- 14
E	**Net Capital Movement**	**+ 432**	**+ 692**	**+ 277**	**+ 405**	**+ 111**	**+ 218**	**- 17**	**- 16**	**+ 78**	**+ 100**	**- 17**	**- 15**
G	**Balance Settled by Exchange Transfers**	**—**	**—**	**+ 530**	**+ 636**	**- 340**	**- 559**	**- 27**	**- 44**	**- 171**	**- 130**	**+ 8**	**+ 97**
	Total Financing of Current Account Balance (item C)	**+ 432**	**+ 692**	**+ 807**	**+1,041**	**- 229**	**- 341**	**- 44**	**- 60**	**- 93**	**- 30**	**- 9**	**+ 82**

Notes:

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other OEEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area; namely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey, and their overseas territories. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IMF and IBRD, and all other countries not specified above.

A2,B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

D17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1955

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[1]
A	**Current Receipts:**										
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332
2	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160
6	Freight and shipping	311	322	336	303	284	351	383	318	313	385
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86
11	All other current receipts	209	220	229	222	231	249	281	319	298	393
12	**Total Current Receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,061**
B	**Current Payments:**										
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,540
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449
5	Interest and dividends	312	337	325	390	475	450	413	404	423	477
6	Freight and shipping	219	278	279	253	301	354	375	374	356	408
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	101
9	Official contributions	97	38	23	6	5	9	16	25	11	24
10	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222
11	All other current payments	382	295	287	315	377	423	405	465	479	532
12	**Total Current Payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,753**
	Balance on Merchandise Trade	+ 571	+ 188	+ 432	+ 293	+ 10	- 147	+ 489	- 58	+ 13	- 208
	Balance on Other Transactions, excluding B9	- 111	- 101	+ 42	- 110	- 339	- 361	- 309	- 360	- 434	- 460
	Official Contributions	- 97	- 38	- 23	- 6	- 5	- 9	- 16	- 25	- 11	- 24
C	**Current Account Balance**	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 443**	**- 432**	**- 692**
D	**Capital Account:**										
	Direct Investment:										
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 410
2	Direct investment abroad	- 14	+ 6	+ 15	+ 13	+ 36	- 20	- 77	- 63	- 81	- 67
	Canadian Securities:										
3	Trade in outstanding issues	+ 194	- 13	+ 3	+ 8	+ 329	+ 38	- 94	- 31	+ 63	- 17
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166
5	Retirements	- 539	- 364	- 114	- 147	- 284	- 184	- 89	- 146	- 203	- 184
	Foreign Securities:										
6	Trade in outstanding issues	+ 25	+ 1	- 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 16
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 20	- 23	- 33	- 48
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17
	Loans by Government of Canada:										
9	Drawings	- 750	- 565	- 142	- 120	- 50	—	—	—	—	—
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30
14	Change in Canadian dollar holdings of foreigners	+ 70	- 26	- 21	+ 40	+ 233	- 192	- 66	- 18	+ 34	+ 89
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	- 492	- 128	- 722	- 56	- 37	+ 38	- 124	+ 44
17	Other capital movements	+ 23	- 101	+ 7	- 80	+ 210	+ 128	- 511	- 185	- 28	+ 197
E	**Net Capital Movement**	**- 363**	**- 49**	**- 451**	**- 177**	**+ 334**	**+ 517**	**- 164**	**+ 443**	**+ 432**	**+ 692**

Notes:
AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.
D 17 Includes for years 1946 to 1950 transactions shown separately under items D 12, 13, and 15 in the Canadian Balance of International Payments in the Post-War Years, 1946-1952.
A-G For other notes applicable to this Table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1955

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[1]
A	**Current Receipts:**										
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303
5	Interest and dividends	47	36	37	40	50	57	85	101	69	82
6	Freight and shipping	101	104	131	126	157	164	174	164	169	199
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45
11	All other current receipts	140	153	167	158	170	191	224	253	233	314
12	**Total Current Receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,696**
B	**Current Payments:**										
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,280
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363
5	Interest and dividends	250	274	267	325	411	382	344	334	345	393
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	78
11	All other current payments	216	211	213	244	293	328	289	290	312	336
12	**Total Current Payment**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,737**
	Balance on Merchandise Trade	- 430	- 890	- 289	- 378	- 47	- 516	- 471	- 588	- 445	- 682
	Balance on Other Transactions	- 177	- 244	- 104	- 223	- 353	- 435	- 378	- 316	- 362	- 359
C	**Current Account Balance**	**- 607**	**- 1,134**	**- 393**	**- 601**	**- 400**	**- 951**	**- 849**	**- 904**	**- 807**	**+ 1,041**
D	**Capital Account:**										
	Direct Investment:										
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306
2	Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 46	- 54
	Canadian Securities:										
3	Trade in outstanding issues	+ 241	- 3	+ 5	+ 25	+ 362	+ 20	- 104	- 80	—	- 62
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127
5	Retirements	- 460	- 313	- 96	- 136	- 263	- 159	- 75	- 132	- 184	- 169
	Foreign Securities:										
6	Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 27
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3	- 8
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2
14	Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 19	+ 66
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	- 496	- 134	- 694	- 39	- 80	+ 42	- 121	+ 42
17	Other capital movements	—	- 76	+ 1	- 38	+ 249	+ 59	- 458	- 223	+ 18	+ 128
E	**Net Capital Movement**	**+ 331**	**+ 505**	**- 385**	**- 70**	**+ 267**	**+ 515**	**- 158**	**+ 244**	**+ 277**	**+ 405**
G	**Balance Settled by Exchange Transfers**	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+ 1,007**	**+ 660**	**+ 530**	**+ 636**
	Total Financing of Current Account Balance (item C)	**+ 607**	**+ 1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 807**	**+ 1,041**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1955

(Millions of dollars)

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[1]
	C. BETWEEN CANADA AND THE UNITED KINGDOM										
A	**Current Receipts:**										
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13
5	Interest and dividends	7	8	9	9	6	30	29	28	35	38
6	Freight and shipping	107	114	105	89	61	91	105	79	73	94
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20
11	All other current receipts	52	42	44	49	35	42	34	37	36	43
12	**Total Current Receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**980**
B	**Current Payments:**										
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	405
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40
5	Interest and dividends	54	53	50	55	54	57	56	57	62	64
6	Freight and shipping	32	32	34	32	36	43	42	42	39	47
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16
11	All other current payments	110	50	46	37	48	51	50	92	67	67
12	**Total Current Payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**639**
	Balance on Merchandise Trade	+ 488	+ 567	+ 416	+ 401	+ 70	+ 219	+ 377	+ 193	+ 269	+ 367
	Balance on Other Transactions	+ 12	+ 66	+ 70	+ 45	- 46	+ 4	+ 11	- 60	- 40	- 26
C	**Current Account Balance**	**+ 500**	**+ 633**	**+ 486**	**+ 446**	**+ 24**	**+ 223**	**+ 388**	**+ 133**	**+ 229**	**+ 341**
	D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES										
A	**Current Receipts:**										
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	253
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4	4
11	All other current receipts	3	3	4	3	3	3	5	7	7	8
12	**Total Current Receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**317**
B	**Current Payments:**										
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8
5	Interest and dividends	1	1	1	1	—	—	—	—	—	—
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1	1
9	Official contributions	5	—	—	—	—	—	15	18	8	22
11	All other current payments	3	5	4	6	4	4	6	10	9	12
12	**Total Current Payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**257**
	Balance on Merchandise Trade	+ 140	+ 206	+ 101	+ 113	- 43	- 45	+ 108	+ 79	+ 23	+ 42
	Balance on Other Transactions, excluding B 9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29	+ 40
	Official Contributions	- 5	—	—	—	—	—	- 15	- 18	- 8	- 22
C	**Current Account Balance**	**+ 164**	**+ 242**	**+ 129**	**+ 135**	**- 23**	**- 24**	**+ 114**	**+ 83**	**+ 44**	**+ 60**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1955

(Millions of dollars)

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[1]
C	**Current Account Balance**	**+ 664**	**+ 875**	**+ 615**	**+ 581**	**+ 1**	**+ 199**	**+ 502**	**+ 216**	**+ 273**	**+ 401**
D	**Capital Account:**										
	Direct Investment:										
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 65
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23	- 7
	Canadian Securities:										
3	Trade in outstanding issues	- 48	- 11	- 4	- 16	- 35	- 16	- 3	+ 27	+ 21	+ 26
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 17	- 11
	Foreign Securities:										
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	- 9
7	New issues	—	—	—	—	—	—	—	—	- 1	- 21
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—
	Loans by Government of Canada:										
9	Drawings	- 540	- 423	- 52	- 120	- 50	—	—	—	—	—
10	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15
11	Repayment of war loans	+ 89	+ 104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30
14	Change in Canadian dollar holdings of foreigners	+ 32	- 4	- 20	+ 62	+ 116	- 128	- 22	- 17	+ 6	+ 11
16	Change in official holding of sterling (increase, minus)	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3	+ 2
17	Other capital movements	+ 39	+ 16	+ 18	- 27	- 39	+ 82	- 62	+ 37	- 32	+ 86
E	**Net Capital Movement**	**- 491**	**- 357**	**+ 7**	**- 87**	**+ 13**	**- 23**	**- 16**	**+ 129**	**+ 94**	**+ 202**
G	**Balance Settled by Exchange Tranfers:**										
	Official settlements	- 150	- 505	- 597	- 466	+ 4	- 165	- 486	- 345	- 367	- 603
	Private settlements	- 23	- 13	- 25	- 28	- 18	- 11				
	Total Financing of Current Account Balance (item C)	**- 664**	**- 875**	**- 615**	**- 581**	**- 1**	**- 199**	**- 502**	**- 216**	**- 273**	**- 401**

1. Subject to revision.

TABLE III. Current Account Between Canada and All Countries, 1926-1955

(Millions of dollars)

Year	Current Receipts[1]	Current Payments[2]	Net Balance Including Mutual Aid Exports	Wartime Grants and Mutual Aid	Net Balance on Current Account Indicating Net Movement of Capital
1926	1,665	1,538	+ 127	—	+ 127
1927	1,633	1,643	- 10	—	- 10
1928	1,788	1,820	- 32	—	- 32
1929	1,646	1,957	- 311	—	- 311
1930	1,297	1,634	- 337	—	- 337
1931	972	1,146	- 174	—	- 174
1932	808	904	- 96	—	- 96
1933	829	831	- 2	—	- 2
1934	1,020	952	+ 68	—	+ 68
1935	1,145	1,020	+ 125	—	+ 125
1936	1,430	1,186	+ 244	—	+ 244
1937	1,593	1,413	+ 180	—	+ 180
1938	1,361	1,261	+ 100	—	+ 100
1939	1,457	1,331	+ 126	—	+ 126
1940	1,776	1,627	+ 149	—	+ 149
1941	2,458	1,967	+ 491	—	+ 491
1942	3,376	2,275	+ 1,101	- 1,002	+ 99
1943	4,064	2,858	+ 1,206	- 518	+ 688
1944	4,557	3,539	+ 1,018	- 960	+ 58
1945	4,456	2,910	+ 1,546	- 858	+ 688
1946	3,365	2,905	+ 460	- 97	+ 363
1947	3,748	3,699	+ 49	—	+ 49
1948	4,147	3,696	+ 451	—	+ 451
1949	4,089	3,912	+ 177	—	+ 177
1950	4,297	4,574	- 277	- 57	- 334
1951	5,311	5,683	- 372	- 145	- 517
1952	5,858	5,494	+ 364	- 200	+ 164
1953	5,737	5,934	- 197	- 246	- 443
1954	5,520	5,668	- 148	- 284	- 432
1955[3]	6,061	6,531	- 470	- 222	- 692

1. Including Mutual Aid exports.
2. Excluding Mutual Aid offsets.
3. Subject to revision.

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1953-1955

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 IV	1955[1] I	1955[1] II	1955[1] III	1955[1] IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	918	1,113	1,077	1,044	872	993	1,002	1,062	967	1,098	1,127	1,140
3	Gold production available for export	48	37	30	29	35	43	39	38	39	39	37	40
4	Travel expenditures	26	57	172	47	24	59	172	50	26	66	182	54
5	Interest and dividends	27	33	24	81	24	33	23	67	25	34	28	73
6	Freight and shipping	66	86	81	85	70	78	83	82	82	95	101	107
7	Inheritances and immigrants' funds	16	26	26	23	18	28	24	19	16	25	24	21
11	All other current receipts	69	73	94	83	65	72	81	80	78	105	106	104
12	**Total Current Receipts**	**1,170**	**1,425**	**1,504**	**1,392**	**1,108**	**1,306**	**1,424**	**1,398**	**1,233**	**1,462**	**1,605**	**1,539**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	1,002	1,161	1,053	994	923	1,068	941	984	971	1,148	1,163	1,258
4	Travel expenditures	68	95	124	78	65	102	134	88	78	119	156	96
5	Interest and dividends	86	102	83	133	88	94	85	156	121	108	93	155
6	Freight and shipping	69	106	107	92	70	93	99	94	77	106	110	115
7	Inheritances and emigrants' funds	21	22	23	25	21	23	25	25	22	24	28	27
9	Official contributions	10	10	3	2	4	2	2	3	5	4	8	7
11	All other current payments	100	123	126	116	114	119	118	128	133	127	136	136
12	**Total Current Payments**	**1,356**	**1,619**	**1,519**	**1,440**	**1,285**	**1,501**	**1,404**	**1,478**	**1,407**	**1,636**	**1,694**	**1,794**
	Balance on Merchandise Trade	- 84	- 48	+ 24	+ 50	- 51	- 75	+ 61	+ 78	- 4	- 50	- 36	- 118
	Balance on Other Transactions, Excluding B9	- 92	- 136	- 36	- 96	- 122	- 118	- 39	- 155	- 165	- 120	- 45	- 130
	Official Contributions	- 10	- 10	- 3	- 2	- 4	- 2	- 2	- 3	- 5	- 4	- 8	- 7
C	**Current Account Balance**	**- 186**	**- 194**	**- 15**	**- 48**	**- 177**	**- 195**	**+ 20**	**- 80**	**- 174**	**- 174**	**- 89**	**- 255**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 109	+ 97	+ 106	+ 114	+ 93	+ 98	+ 77	+ 124	+ 87	+ 111	+ 101	+ 111
2	Direct investment abroad	- 11	- 10	- 11	- 31	- 11	- 18	- 30	- 22	- 8	- 9	- 12	- 38
	Canadian Securities:												
3	Trade in outstanding issues	+ 10	- 35	- 5	- 1	+ 16	+ 28	+ 1	+ 18	- 31	+ 7	- 21	+ 28
4	New issues	+ 129	+ 60	+ 14	+ 132	+ 177	+ 93	+ 36	+ 25	+ 109	+ 29	+ 16	+ 12
5	Retirements	- 29	- 89	- 9	- 19	- 26	- 76	- 47	- 54	- 85	- 62	- 18	- 19
	Foreign Securities:												
6	Trade in outstanding issues	+ 2	+ 3	+ 2	+ 15	+ 4	+ 9	- 1	- 5	+ 12	- 8	+ 4	+ 8
7	New issues	- 1	- 2	- 1	- 19	- 2	- 26	- 3	- 2	- 5	- 17	- 4	- 22
8	Retirements	+ 1	—	—	—	—	—	—	+ 2	+ 3	—	+ 14	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 2	+ 11	—	+ 24	+ 2	+ 11	+ 3	+ 26	—	+ 10	+ 2	+ 27
11	Repayment of war loans	+ 4	+ 7	+ 39	—	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8
14	Change in Canadian dollar holdings of foreigners	+ 44	+ 20	- 71	- 11	- 17	+ 13	+ 10	+ 28	+ 30	+ 39	+ 6	+ 14
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 16	+ 91	- 35	- 34	- 4	- 37	- 38	- 45	+ 71	- 56	- 7	+ 36
17	Other capital movements	- 90	+ 41	- 14	- 122	- 62	+ 92	- 35	- 23	- 16	+ 122	+ 1	+ 90
E	**Net Capital Movement**	**+ 186**	**+ 194**	**+ 15**	**+ 48**	**+ 177**	**+ 195**	**- 20**	**+ 80**	**+ 174**	**+ 174**	**+ 89**	**+ 255**

Notes:

Quarterly totals in the account with all countries will not add to annual totals since Mutual Aid to NATO countries is not distrubuted by quarters.

A-G For other notes applicable to this Table see notes to Table I.

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1953-1955

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1953				1954				1955[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	590	629	612	627	543	595	597	620	580	647	670	701
3	Gold production available for export	48	37	30	29	35	43	39	38	39	39	37	40
4	Travel expenditures	24	52	165	41	22	52	164	45	24	58	172	49
5	Interest and dividends	22	16	19	44	13	15	19	22	13	20	21	28
6	Freight and shipping	37	44	42	41	36	41	47	45	41	49	53	56
7	Inheritances and immigrants' funds	8	11	11	11	8	12	12	10	8	12	14	11
11	All other current receipts	51	58	77	67	50	54	64	65	59	85	85	85
12	**Total Current Receipts**	**780**	**847**	**956**	**860**	**707**	**812**	**942**	**845**	**764**	**910**	**1,052**	**970**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	759	841	742	704	679	767	654	700	723	833	826	898
2	Travel expenditures	60	79	105	63	55	83	110	72	66	99	122	76
5	Interest and dividends	68	88	63	115	69	78	64	134	102	89	74	128
6	Freight and shipping	54	86	84	72	48	70	74	69	52	76	79	80
7	Inheritances and emigrants' funds	18	18	19	19	18	18	20	19	18	18	21	21
11	All other current payments	64	73	75	78	74	81	77	80	81	83	85	87
12	**Total Current Payments**	**1,023**	**1,185**	**1,088**	**1,051**	**943**	**1,097**	**999**	**1,074**	**1,042**	**1,198**	**1,207**	**1,290**
C	**Current Account Balance**	**- 243**	**- 338**	**- 132**	**- 191**	**- 236**	**- 285**	**- 57**	**- 229**	**- 278**	**- 288**	**- 155**	**- 320**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 97	+ 86	+ 87	+ 76	+ 77	+ 79	+ 55	+ 77	+ 46	+ 93	+ 81	+ 86
2	Direct investment abroad	- 4	—	- 6	- 23	- 6	- 14	- 11	- 15	- 6	- 8	- 6	- 34
	Canadian Sercurities:												
3	Trade in outstanding issues	+ 2	- 49	- 13	- 20	+ 3	+ 8	- 16	+ 5	- 42	- 7	- 34	+ 21
4	New issues	+126	+ 58	+ 12	+126	+172	+ 82	+ 29	+ 16	+ 96	+ 12	+ 9	+ 10
5	Retirements	- 23	- 88	- 6	- 15	- 17	- 72	- 43	- 52	- 83	- 55	- 13	- 18
	Foreign Securities:												
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 14	+ 4	+ 9	- 2	- 5	+ 13	+ 1	+ 7	+ 6
7	New issues	—	- 1	—	- 17	—	—	- 2	- 1	- 4	- 1	- 2	- 1
8	Retirements	+ 1	—	—	—	—	—	—	+ 1	+ 2	—	—	—
14	Change in Canadian dollar holdings of foreigners	+ 14	+ 10	- 15	- 10	- 3	+ 12	- 2	+ 12	+ 11	+ 40	+ 2	+ 13
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 15	+ 94	- 37	- 30	- 8	- 36	- 35	- 42	+ 70	- 58	- 6	+ 36
17	Other capital movements	- 100	+ 30	- 34	- 119	- 54	+ 91	- 24	+ 5	+ 44	+ 64	- 53	+ 73
	Net Capital Movement	**+129**	**+143**	**- 10**	**- 18**	**+168**	**+159**	**- 51**	**+ 1**	**+147**	**+ 81**	**- 15**	**+192**
	Balance Settled by Exchange Transfers	**+114**	**+195**	**+142**	**+209**	**+ 68**	**+126**	**+108**	**+228**	**+131**	**+207**	**+170**	**+128**
	Total Financing of Current Account Balance (item C)	**+243**	**+338**	**+132**	**+191**	**+236**	**+285**	**+ 57**	**+229**	**+278**	**+288**	**+155**	**+320**

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1953-1955

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1953				1954				1955[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	119	191	194	152	134	153	180	193	183	201	199	189
4	Travel expenditures	1	3	4	4	1	4	5	3	1	4	5	3
5	Interest and dividends	1	1	1	25	1	2	1	31	3	2	2	31
6	Freight and shipping	15	21	21	22	18	18	19	18	21	23	24	26
7	Inheritances and immigrants' funds	4	5	5	4	4	6	5	4	4	6	5	5
11	All other current receipts	12	8	8	9	8	10	10	8	11	11	11	10
12	**Total Current Receipts**	**152**	**229**	**233**	**216**	**166**	**193**	**220**	**257**	**223**	**247**	**246**	**264**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	103	136	117	107	96	110	93	92	88	99	110	108
4	Travel expenditures	3	10	10	8	4	11	12	8	5	11	14	10
5	Interest and dividends	15	11	17	14	16	13	17	16	15	14	15	20
6	Freight and shipping	9	11	12	10	9	10	10	10	10	11	12	14
7	Inheritances and emigrants' funds	2	3	3	4	2	4	3	4	3	4	5	4
11	All other current payments	20	28	30	14	16	15	17	19	20	11	19	17
12	**Total Current Payments**	**152**	**199**	**189**	**157**	**143**	**163**	**152**	**149**	**141**	**150**	**175**	**173**
C	**Current Account Balance**	**—**	**+ 30**	**+ 44**	**+ 59**	**+ 23**	**+ 30**	**+ 68**	**+ 108**	**+ 82**	**+ 97**	**+ 71**	**+ 91**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 9	+ 7	+ 16	+ 13	+ 12	+ 13	+ 17	+ 33	+ 29	+ 13	+ 12	+ 12
2	Direct investment abroad	—	- 1	- 1	- 3	—	—	- 14	- 2	—	- 1	- 2	—
	Canadian Securities:												
3	Trade in outstanding issues	+ 5	+ 5	+ 3	+ 14	+ 9	+ 2	—	+ 10	+ 10	+ 2	+ 9	+ 5
4	New issues	+ 1	+ 1	+ 1	+ 4	+ 3	+ 4	+ 6	+ 7	+ 9	+ 3	+ 2	+ 1
5	Retirements	- 4	- 1	- 2	- 1	- 7	- 2	- 2	- 1	- 2	- 4	- 4	- 1
	Foreign Securities:												
6	Trade in outstanding issues	+ 1	—	+ 1	+ 1	—	+ 1	+ 1	—	—	- 9	- 2	+ 2
7	New issues	—	—	—	—	—	- 1	—	—	—	—	- 2	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 14	—	—	—	+ 15	—	—	—	+ 15
11	Repayment of war loans	+ 4	+ 7	+ 39	—	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8
14	Change in Canadian dollar holdings of foreigners	+ 21	+ 20	- 53	- 1	- 8	- 4	+ 7	+ 15	+ 19	- 17	+ 3	+ 4
16	Change in official holdings of sterling (increase, minus)	+ 1	- 3	+ 2	- 4	+ 4	- 1	- 3	- 3	+ 1	+ 2	- 1	—
17	Other capital movements	+ 9	+ 13	+ 21	- 3	- 3	- 10	+ 7	- 24	- 57	+ 44	+ 77	+ 16
E	**Net Capital Movement**	**+47**	**+ 48**	**+ 27**	**+ 34**	**+ 17**	**+ 10**	**+ 26**	**+ 58**	**+ 16**	**+ 41**	**+ 99**	**+ 62**
G	**Balance Settled by Exchange Transfers**	**-47**	**- 78**	**- 71**	**- 93**	**- 40**	**- 40**	**- 94**	**- 166**	**- 98**	**- 138**	**- 170**	**- 153**
	Total Financing of Current Account Balance (item C)	**—**	**- 30**	**- 44**	**- 59**	**- 23**	**- 30**	**- 68**	**- 108**	**- 82**	**- 97**	**- 71**	**- 91**

TABLE IV. Quarterly Estimates of the Balance of International Payments with Principal Countries and Areas, 1953-1955

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 IV	1955[1] I	1955[1] II	1955[1] III	1955[1] IV
	Rest of the Sterling Area:												
A 1	Merchandise exports	60	74	66	51	39	58	53	56	55	65	75	58
	Other current receipts	9	10	11	15	15	12	10	12	15	15	15	19
12	Total Current Receipts	69	84	77	66	54	70	63	68	70	80	90	77
B 1	Merchandise imports	28	48	49	47	30	52	53	48	38	59	58	56
	Other current payments	12	14	7	8	9	6	4	9	11	9	14	12
12	Total Current Payments	40	62	56	55	39	58	57	57	49	68	72	68
C	**Current Account Balance**	+ 29	+ 22	+ 21	+ 11	+ 15	+ 12	+ 6	+ 11	+ 21	+ 12	+ 18	+ 9
	Non-Sterling Area Overseas Countries:												
A 1	Merchandise exports	149	219	205	214	156	187	172	193	149	185	183	192
	Other current receipts	20	46	33	36	25	44	27	35	27	40	34	36
12	Total Current Receipts	169	265	238	250	181	231	199	228	176	225	217	228
B 1	Merchandise imports	112	136	145	136	118	139	141	144	122	157	169	196
	Other current payments	29	37	41	41	42	44	55	54	53	63	71	67
12	Total Current Payments	141	173	186	177	160	183	196	198	175	220	240	263
C	**Current Account Balance**	+ 28	+ 92	+ 52	+ 73	+ 21	+ 48	+ 3	+ 30	+ 1	+ 5	- 23	- 35
C	**Current Account Balance with Above Areas**	+ 57	+ 114	+ 73	+ 84	+ 36	+ 60	+ 9	+ 41	+ 22	+ 17	- 5	- 26
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 3	+ 4	+ 3	+ 25	+ 4	+ 6	+ 5	+ 14	+ 12	+ 5	+ 8	+ 13
2	Direct investment abroad	- 7	- 9	- 4	- 5	- 5	- 4	- 5	- 5	- 2	—	- 4	- 4
	Canadian Securities:												
3	Trade in outstanding issues	+ 3	+ 9	+ 5	+ 5	+ 4	+ 18	+ 17	+ 3	+ 1	+ 12	+ 4	+ 2
4	New issues	+ 2	+ 1	+ 1	+ 2	+ 2	+ 7	+ 1	+ 2	+ 4	+ 14	+ 5	+ 1
5	Retirements	- 2	—	- 1	- 3	- 2	- 2	- 2	- 1	—	- 3	- 1	—
	Foreign Securities:												
6	Trade in outstanding issues	—	—	- 1	—	—	- 1	—	—	- 1	—	- 1	—
7	New issues	- 1	- 1	- 1	- 2	- 2	- 25	- 1	- 1	- 1	- 16	—	- 21
8	Retirements	—	—	—	—	—	—	—	+ 1	+ 1	—	+ 14	—
10	Repayment of post-war loans by Government of Canada	+ 2	+ 11	—	+ 10	+ 2	+ 11	+ 3	+ 11	—	+ 10	+ 2	+ 12
14	Change in Canadian dollar holdings of foreigners	+ 9	- 10	- 3	—	- 6	+ 5	+ 5	+ 1	—	+ 16	+ 1	- 3
17	Other capital movements	+ 1	- 2	- 1	—	- 5	+ 11	- 18	- 4	- 3	+ 14	- 23	+ 1
	Net Capital Movement	+ 10	+ 3	- 2	+ 32	- 8	+ 26	+ 5	+ 21	+ 11	+ 52	+ 5	+ 1
	Balance Settled by Exchange Transfers	- 67	- 117	- 71	- 116	- 28	- 86	- 14	- 62	- 33	- 69	—	+ 25
	Total Financing of Current Account Balance (item C)	- 57	- 114	- 73	- 84	- 36	- 60	- 9	- 41	- 22	- 17	+ 5	+ 26

1. Subject to revision.

TABLE V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1955

(exclusive of short-term commercial indebtedness and blocked currencies)

(Billions of dollars)

Item	1926	1930	1933	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955[5]
Canadian Liabilities (Foreign Capital Invested in Canada):															
Direct investments VIII, IX	1.8	2.4	2.4	2.3	2.7	2.8	3.0	3.3	3.6	4.0	4.5	5.2	6.0	6.7	7.7
Government and municipal bonds VII	1.4	1.7	1.7	1.7	1.7	1.6	1.5	1.6	1.8	2.0	2.1	2.0	2.1	2.1	1.9
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.5	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.0	3.1
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	—	—	—	—	0.1	0.2
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4[4]	0.5	0.6	0.6
Total non-resident long-term investment in Canada VII, VIII	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**7.2**	**7.2**	**7.5**	**8.0**	**8.7**	**9.5**	**10.4**	**11.5**	**12.5**	**13.5**
Equity of non-residents in Canadian assets abroad	2	2	2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.6
Canadian dollar holdings of non-residents	2	2	2	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4
Canadian short-term assets of IMF and IBRD	—	—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Gross Liabilities	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**7.8**	**8.1**	**8.4**	**8.9**	**9.9**	**10.6**	**11.4**	**12.6**	**13.6**	**14.7**
United States	3.5	4.9	4.7	4.5	5.4	5.7	5.7	6.0	6.4	7.1	7.9	8.5	9.5	10.3	11.1
United Kingdom	2.7	2.9	2.8	2.6	1.8	1.7	1.7	1.7	1.8	2.0	1.9	2.0	2.2	2.3	2.5
Other countries, IMF and IBRD	0.2	0.2	0.2	0.3	0.4	0.4	0.7	0.7	0.7	0.8	0.8	0.9	1.0	1.0	1.1
Canadian Assets (Canadian Capital Invested Abroad):															
Direct investments XI	0.4	0.4	0.4	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3[4]	1.5	1.6	1.8
Portfolio investments XI	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8[4]	0.9	0.9	1.0
Government of Canada loans and advances XI	—	—	—	—	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8	1.7	1.6
Government of Canada subscriptions to IMF and IBRD	—	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**2.7**	**3.6**	**3.6**	**4.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**	**4.8**
Government of Canada holdings of gold and foreign exchange VI	2	2	2	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9
Other Canadian short-term assets abroad	3	3	3	—	0.1	—	—	—	0.1	0.1	0.1	0.3	0.3	0.4	0.5
Gross Assets	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**4.0**	**4.1**	**4.7**	**5.2**	**5.9**	**6.0**	**6.4**	**6.6**	**6.9**	**7.0**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9
United States[1]	0.7	0.9	0.8	0.9	0.9	0.8	0.8	0.8	1.1	1.1	1.4	1.7	2.0	2.2	2.3
United Kingdom[1]	0.1	0.1	—	0.1	0.7	1.2	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.4
Other countries, IMF and IBRD	0.5	0.5	0.6	0.4	0.5	0.7	1.3	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4
Canadian Net International Indebtedness:															
Net Liabilities	**5.1**	**6.5**	**6.3**	**5.5**	**3.9**	**3.8**	**4.0**	**3.7**	**3.7**	**4.0**	**4.6**	**5.0**	**6.0**	**6.7**	**7.**
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-1.3	-0.5	-1.0	-1.2	-1.9	- 1.8	-1.8	- 1.8	- 1.9	- 1.
United States[1]	2.8	4.0	3.9	3.6	4.6	4.9	4.9	5.2	5.3	6.0	6.5	6.8	7.5	8.1	8.
United Kingdom[1]	2.6	2.8	2.8	2.5	1.1	0.5	0.2	0.2	0.2	0.4	0.4	0.5	0.7	0.8	1.
Other countries, IMF and IBRD	-0.3	-0.3	-0.4	-0.1	-0.1	-0.3	-0.6	-0.7	-0.6	-0.5	- 0.5	-0.5	- 0.4	- 0.4	- 0.

N.B. As above figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which furth detail appears.

1. Exclusive of Government of Canada holdings of gold and foreign exchange.
2. Not available.
3. Not available; net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 19
4. New series not strictly comparable with earlier years.
5. Preliminary estimate.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentur are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada. Investments in exploration and development petroleum by companies engaged in refining and production of petroleum products are therefore included in the manufacturing group.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of oth countries.

A dash (—) means "nil" or less than $0.5 million.

For more detailed treatment see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars[1], 1950-1955

(Millions of U.S. dollars)

At end of	1950	1951	1952	1953	1954	1955
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936
December	1,741.5	1,778.6	1,860.2	1,813.5	1,942.6	1,900

1. Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Governm accounts, and net holdings of the Bank of Canada.

TABLE VII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1954

Classification by Type of investment

(millions of dollars)

Long Term Investments in Canada by types of Investment	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953	1954
ernment securities:														
Dominion	682	726	1,141	1,013	858	744	659	440	682	1,009	887	737	608	515
rovincial	592	624	565	771	816	930	964	517	574	525	732	782	886	914
unicipal	432	312	256	319	354	413	433	248	194	212	279	316	376	393
Sub-total	**1,706**	**1,662**	**1,962**	**2,103**	**2,028**	**2,087**	**2,056**	**1,205**	**1,450**	**1,746**	**1,898**	**1,835**	**1,870**	**1,822**
ufacturing:														
getable products	208	268	338	366	382	426	449	123	199	252	277	286	325	342
imal products	50	61	71	74	83	89	95	44	47	61	64	72	78	82
xtiles	49	83	111	117	117	115	121	26	41	57	61	61	59	62
od and paper products	586	455	655	715	769	837	937	489	383	528	567	619	680	773
n and products	262	319	505	530	623	699	723	233	297	463	492	580	649	669
n-ferrous metals	125	274	385	463	599	694	722	118	209	316	367	480	543	567
n-metallic minerals	138	163	364	482	538	606	695	132	148	329	455	499	538	622
emicals and allied products	122	169	263	297	339	366	402	89	124	200	227	259	276	293
scellaneous manufactures	33	37	62	70	87	93	116	33	34	54	57	60	66	79
Sub-total	**1,573**	**1,829**	**2,754**	**3,114**	**3,537**	**3,925**	**4,260**	**1,287**	**1,482**	**2,260**	**2,567**	**2,916**	**3,214**	**3,489**
ng and smelting	334	403	631	815	1,076	1,422	1,656	255	322	549	723	976	1,315	1,522
c utilities:														
ilways	2,244	1,599	1,446	1,436	1,429	1,420	1,418	832	720	675	656	644	620	624
ier	634	494	547	575	639	680	726	522	375	448	490	550	590	625
Sub-total	2,878	2,093	1,993	2,011	2,068	2,100	2,144	1,354	1,095	1,123	1,146	1,194	1,210	1,249
handising	203	226	330	388	447	530	577	138	164	230	270	317	388	418
ncial institutions	543	525	573	595	648	776	1,066	251	285	362	353	395	484	696
enterprises	82	70	98	120	133	151	149	76	62	88	106	116	130	124
llaneous investments	295	284	320	328	447[1]	467	561	94	130	190	195	249[1]	257	302
Total Investments	**7,614**	**7,092**	**8,661**	**9,474**	**10,384**	**11,458**	**12,469**	**4,660**	**4,990**	**6,548**	**7,258**	**7,998**	**8,868**	**9,622**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953	1954
nment securities:														
minion	235	—	82	70	68	79	71	7	44	50	56	53	57	73
vincial	69	45	39	38	32	36	38	6	5	1	1	2	8	12
nicipal	182	112	42	38	36	35	35	2	6	2	2	2	2	5
ub-total	**486**	**157**	**163**	**146**	**136**	**150**	**144**	**15**	**55**	**53**	**59**	**57**	**67**	**90**
acturing:														
getable products	84	66	80	80	88	93	98	1	3	6	9	8	8	9
mal products	5	6	5	5	5	5	6	1	8	5	5	6	6	7
tiles	22	38	50	52	52	53	55	1	4	4	4	4	3	4
d and paper products	95	64	119	138	140	146	150	2	8	8	10	10	11	14
and products	24	12	34	28	31	37	37	5	10	8	10	12	13	17
-ferrous metals	6	64	65	91	113	142	146	1	1	4	5	6	9	9
-metallic minerals	6	13	31	24	33	35	35	—	2	4	3	6	33	38
micals and allied products	32	36	53	60	68	77	94	1	9	10	10	12	13	15
cellaneous manufactures	—	2	7	12	26	26	36	—	1	1	1	1	1	1
ub-total	**274**	**301**	**444**	**490**	**556**	**614**	**657**	**12**	**46**	**50**	**57**	**65**	**97**	**114**
g and smelting	74	62	55	60	61	63	75	5	19	27	32	39	44	59
utilities:														
ways	1,352	806	707	704	699	702	692	60	73	64	76	86	98	102
er	100	90	69	56	55	57	65	12	29	30	29	34	33	36
ub-total	**1,452**	**896**	**776**	**760**	**754**	**759**	**757**	**72**	**102**	**94**	**105**	**120**	**131**	**138**
andising	61	57	90	103	112	122	136	4	5	10	15	18	20	23
cial institutions	243	186	147	142	139	167	217	49	54	64	100	114	125	153
enterprises	5	6	8	10	12	16	20	1	2	2	4	5	5	5
laneous investments	171	85	65	65	114[1]	116	137	30	69	65	68	84[1]	94	122
otal Investments	**2,766**	**1,750**	**1,748**	**1,776**	**1,884**	**2,007**	**2,143**	**188**	**352**	**365**	**440**	**502**	**583**	**704**

t. New Series not strictly comparable with earlier years.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1954

Classification by Type of Security and Nature of National Ownership

(millions of dollars)

Long-Term Investments in Canada	A. Owned by all Non-Residents							B. Owned by United States					
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953
By Type of Assets													
Bonds and Debentures:													
Government and municipal [1]	1,706	1,662	1,962	2,103	2,028	2,087	2,056	1,205	1,450	1,746	1,898	1,835	1,87
Steam railways	1,481	843	703	676	644	619	604	598	495	366	335	305	28
Other corporations	796	561	627	674	899	1,080	1,151	600	414	505	542	749	90
Sub-total	**3,983**	**3,066**	**3,297**	**3,453**	**3,571**	**3,786**	**3,811**	**2,403**	**2,359**	**2,617**	**2,775**	**2,889**	**3,06**
Capital stock of Canadian companies	2,856	3,194	4,218	4,742	5,193	5,719	6,233	1,832	2,088	3,044	3,476	3,829	4,23
Other corporation assets [2]	480	548	826	951	1,173	1,486	1,747	331	413	697	812	1,031	1,31
Income accumulating investment trusts	—	—	—	—	—	—	117	—	—	—	—	—	—
Miscellaneous investments	295	284	320	328	447 [3]	467	561	94	130	190	195	249 [3]	25
Total Investments	**7,614**	**7,092**	**8,661**	**9,474**	**10,384**	**11,458**	**12,469**	**4,660**	**4,990**	**6,548**	**7,258**	**7,998**	**8,86**
By Nature of National Ownership													
I. Direct Investments (controlled in country of ownership):													
Bonds and Debentures:													
Steam railways	52	46	34	36	36	36	37	42	38	29	29	29	2
Other corporations	357	281	348	346	499	580	606	294	254	321	319	475	55
Sub-total	**409**	**327**	**382**	**382**	**535**	**616**	**643**	**336**	**292**	**350**	**348**	**504**	**57**
Capital stock of Canadian companies	1,543	1,860	2,784	3,205	3,541	3,951	4,365	1,330	1,613	2,394	2,750	3,022	3,35
Other corporation assets [2]	475	526	809	933	1,144	1,436	1,687	327	399	682	798	1,006	1,27
Total Direct Investments	**2,427**	**2,713**	**3,975**	**4,520**	**5,220**	**6,003**	**6,695**	**1,993**	**2,304**	**3,426**	**3,896**	**4,532**	**5,20**
II. Government and Municipal Bonds [1]	**1,706**	**1,662**	**1,962**	**2,103**	**2,028**	**2,087**	**2,056**	**1,205**	**1,450**	**1,746**	**1,898**	**1,835**	**1,87**
III. Other Portfolio Investments (not controlled in country of ownership) :													
Bonds and Debentures:													
Steam railways — controlled in Canada	1,427	795	672	637	605	580	564	556	457	337	306	276	25
— controlled in other countries	2	2	2	3	3	3	3	—	—	—	—	—	—
Other corporations — controlled in Canada	421	220	214	239	291	369	413	301	158	175	214	266	34
— controlled in other countries	18	60	65	89	109	131	132	5	2	9	9	8	
Sub-total	**1,868**	**1,077**	**953**	**968**	**1,008**	**1,083**	**1,112**	**862**	**617**	**521**	**529**	**550**	**61**
Capital stock of Canadian companies:													
Companies controlled in Canada	1,233	1,249	1,326	1,420	1,518	1,622	1,732	484	462	635	708	784	85
Companies controlled in other countries	80	85	108	117	134	146	136	18	13	15	18	23	2
Other corporation assets [2]:													
Companies controlled in Canada	5	16	14	11	21	39	44	4	13	13	10	20	3
Companies controlled in other countries	—	6	3	7	8	11	16	—	1	2	4	5	
Income accumulating investment trusts	—	—	—	—	—	—	117	—	—	—	—	—	—
Total Other Porfolio Investments	**3,186**	**2,433**	**2,404**	**2,523**	**2,689**	**2,901**	**3,157**	**1,368**	**1,106**	**1,186**	**1,269**	**1,382**	**1,53**
IV. Miscellaneous Investments:													
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	320	328	447 [3]	467	561	94	130	190	195	249 [3]	2
SUMMARY													
I. Direct Investments	2,427	2,713	3,975	4,520	5,220	6,003	6,695	1,993	2,304	3,426	3,896	4,532	5,20
II. Government and municipal bonds	1,706	1,662	1,962	2,103	2,028	2,087	2,056	1,205	1,450	1,746	1,898	1,835	1,87
III. Other portfolio investments	3,186	2,433	2,404	2,523	2,689	2,901	3,157	1,368	1,106	1,186	1,269	1,382	1,53
IV. Miscellaneous investments	295	284	320	328	447 [3]	467	561	94	130	190	195	249 [3]	2
Total Investments	**7,614**	**7,092**	**8,661**	**9,474**	**10,384**	**11,458**	**12,469**	**4,660**	**4,990**	**6,548**	**7,258**	**7,998**	**8,86**

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-1954

Classification by Type of Security and Nature of National Ownership

(millions of dollars)

Long Term Investments in Canada	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953	1954
By Type of Assets														
l Debentures:														
nent and municipal[1]	486	157	163	146	136	150	144	15	55	53	59	57	67	90
ailways	862	316	310	309	307	300	298	21	32	32	32	32	32	32
rporations	171	116	94	104	123	149	151	25	31	28	28	27	28	28
tal	**1,519**	**589**	**567**	**559**	**566**	**599**	**593**	**61**	**118**	**113**	**119**	**116**	**127**	**150**
ock of Canadian companies	942	973	1,011	1,042	1,100	1,165	1,254	82	133	163	224	264	319	371
oration assets[2]	134	103	105	110	104	127	159	15	32	24	29	38	43	61
ous investments	171	85	65	65	114[3]	116	137	30	69	65	68	84[3]	94	122
Investments	**2,766**	**1,750**	**1,748**	**1,776**	**1,884**	**2,007**	**2,143**	**188**	**352**	**365**	**440**	**502**	**583**	**704**
By Nature of National Ownership														
Investments (controlled in country of owner-														
:														
and Debentures:														
n railways	10	8	5	7	7	7	8	—	—	—	—	—	—	—
corporations	49	13	13	13	11	15	11	14	14	14	14	13	15	14
-total	**59**	**21**	**18**	**20**	**18**	**22**	**19**	**14**	**14**	**14**	**14**	**13**	**15**	**14**
stock of Canadian companies	200	226	346	369	424	466	560	13	21	44	86	95	129	150
orporation assets[2]	133	101	104	108	102	124	156	15	26	23	27	36	41	56
al Direct Investments	**392**	**348**	**468**	**497**	**544**	**612**	**735**	**42**	**61**	**81**	**127**	**144**	**185**	**220**
ent and Municipal Bonds[1]	**486**	**157**	**163**	**146**	**136**	**150**	**144**	**15**	**55**	**53**	**59**	**57**	**67**	**90**
ortfolio Investments (not controlled in coun- ownership):														
nd Debentures:														
railways—controlled in Canada	850	306	303	299	297	290	287	21	32	32	32	32	32	32
—controlled in other countries	2	2	2	3	3	3	3	—	—	—	—	—	—	—
corporations—controlled in Canada	116	46	25	11	11	12	18	4	16	14	14	14	13	13
—controlled in other countries	6	57	56	80	101	122	122	7	1	—	—	—	—	1
total	**974**	**411**	**386**	**393**	**412**	**427**	**430**	**32**	**49**	**46**	**46**	**46**	**45**	**46**
stock of Canadian companies:														
unies controlled in Canada	685	691	594	600	597	616	638	64	96	97	112	137	153	175
unies controlled in other countries	57	56	71	73	79	83	56	5	16	22	26	32	37	46
rporation assets[2]:														
nies controlled in Canada	1	2	1	1	1	1	1	—	1	—	—	—	—	3
nies controlled in other countries	—	—	—	1	1	2	2	—	5	1	2	2	2	2
l Other Portfolio Investments	**1,717**	**1,160**	**1,052**	**1,068**	**1,090**	**1,129**	**1,127**	**101**	**167**	**166**	**186**	**217**	**237**	**272**
heous Investments:														
ate, mortgages, assets administered for sidents, private investment companies, etc.	171	85	65	65	114[3]	116	137	30	69	65	68	84[3]	94	122
SUMMARY														
vestments	392	348	468	497	544	612	735	42	61	81	127	144	185	220
nt and municipal bonds	486	157	163	146	136	150	144	15	55	53	59	57	67	90
tfolio investments	1,717	1,160	1,052	1,068	1,090	1,129	1,127	101	167	166	186	217	237	272
eous investments	171	85	65	65	114[3]	116	137	30	69	65	68	84[3]	94	122
Investments	**2,766**	**1,750**	**1,748**	**1,776**	**1,884**	**2,007**	**2,143**	**188**	**352**	**365**	**440**	**502**	**583**	**704**

division of Government of Canada, provincial and municipal see Table VII.
udes net assets of unincorporated branches and other long term investments.
series not strictly comparable with earlier years.

TABLE IX. Foreign Direct Investment[1] in Canada, Selected Year Ends 1930-1954

Classification by Type of Business

(millions of dollars)

Direct Investment in Canada by Type of Business	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953	19
Manufacturing:														
Vegetable products	165	200	268	291	317	353	377	94	140	193	214	232	263	2
Animal products	42	47	64	66	73	77	83	38	44	58	60	66	70	
Textiles	33	56	80	86	87	85	93	20	28	42	46	46	43	
Wood and paper products	378	348	538	564	610	682	764	334	316	446	454	499	560	6
Iron and products	203	277	442	467	548	617	639	199	272	420	451	528	591	6
Non-ferrous metals	116	211	322	375	486	541	565	113	203	311	362	473	519	5
Non-metallic minerals[2]	129	137	327	445	494	557	640	126	133	307	428	469	505	5
Chemicals and allied products	102	144	230	257	295	317	383	86	118	194	219	250	266	2
Miscellaneous manufactures	31	33	60	68	85	91	113	31	31	53	56	59	65	
Total	**1,199**	**1,453**	**2,331**	**2,619**	**2,995**	**3,320**	**3,657**	**1,041**	**1,285**	**2,024**	**2,290**	**2,622**	**2,882**	**3,1**
Mining and smelting	237	277	476	627	850	1,129	1,300	210	255	453	603	825	1,103	1,2
Utilities	450	376	399	412	404	436	467	423	359	379	392	382	414	4
Merchandising	173	208	313	372	431	471	506	122	153	219	259	306	336	3
Financial institutions	304	339	364	378	417	506	626	136	198	267	253	289	349	4
Other enterprises	64	60	92	112	123	141	139	61	54	84	99	108	122	1
Total	**2,427**	**2,713**	**3,975**	**4,520**	**5,220**	**6,003**	**6,695**	**1,993**	**2,304**	**3,426**	**3,896**	**4,532**	**5,206**	**5,7**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1950	1951	1952	1953	1954	1930	1945	1950	1951	1952	1953	19
Manufacturing:														
Vegetable products	71	60	74	74	82	86	92	—	—	1	3	3	4	
Animal products	3	3	3	3	3	3	4	1	—	3	3	4	4	
Textiles	13	26	36	38	39	41	44	—	2	2	2	2	1	
Wood and paper products	44	30	92	109	111	121	121	—	2	—	1	—	1	
Iron and products	3	4	20	14	15	21	23	1	1	2	2	5	5	
Non-ferrous metals	3	8	9	10	8	15	19	—	—	2	3	5	7	
Non-metallic minerals	3	4	19	17	25	27	26	—	—	1	—	—	25	
Chemicals and allied products	15	19	28	30	36	42	92	1	7	8	8	9	9	
Miscellaneous manufactures	—	2	7	12	26	26	36	—	—	—	—	—	—	
Total	**155**	**156**	**288**	**307**	**345**	**382**	**457**	**3**	**12**	**19**	**22**	**28**	**56**	
Mining and smelting	26	22	19	19	18	17	20	1	—	4	5	7	9	
Utilities	27	16	16	16	16	16	15	—	1	4	4	6	6	
Merchandising	48	51	84	98	107	117	130	3	4	10	15	18	18	
Financial institutions	133	98	54	48	47	65	94	35	43	43	77	81	92	
Other enterprises	3	5	7	9	11	15	19	—	1	1	4	4	4	
Total	**392**	**348**	**468**	**497**	**544**	**612**	**735**	**42**	**61**	**81**	**127**	**144**	**185**	

1. Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VII and VIII.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and the production of petroleum products are included in the non-metallic minerals item of manufacturing.

TABLE X. Number of Canadian Concerns Controlled Abroad[1], End of 1954

Classification by Countries of Ownership and types of Business

Type of Business	Controlled in United States			Controlled in United Kingdom			Controlled in Other Countries		
	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number
ufacturing:									
egetable products	120	5	125	50	2	52	3	—	3
nimal products	58	—	58	4	1	5	3	—	3
extiles	77	1	78	21	2	23	5	—	5
ood and paper products	163	12	175	31	1	32	7	—	7
on and products	325	19	344	58	—	58	10	—	10
on-ferrous metals	190	6	196	33	3	36	9	—	9
on-metallic minerals	77	4	81	22	—	22	4	—	4
hemicals and allied products	272	37	309	48	2	50	10	2	12
iscellaneous manufactures	86	8	94	16	—	16	3	—	3
Sub-total	**1,368**	**92**	**1,460**	**283**	**11**	**294**	**54**	**2**	**56**
ng and smelting	271	90	361	20	2	22	9	2	11
ities:									
ailways	8	4	12	4	—	4	—	—	—
ther utilities	94	19	113	17	3	20	12	3	15
handising	598	95	693	266	32	298	57	2	59
ncial:									
nancial institutions except insurance	39	2	41	22	1	23	5	—	5
surance	11	181	192	23	91	114	7	44	51
al estate	44	3	47	14	3	17	8	—	8
her holding companies	35	12	47	19	1	20	21	—	21
r enterprises	328	67	395	54	6	60	21	1	22
Total, All Companies, 1954[2]	**2,796**	**565**	**3,361**	**722**	**150**	**872**	**194**	**54**	**248**
Total, All Companies, 1945[3]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**

1. The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tables.
2. Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 584; in the U.K. 160; in other countries 22.
3. Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.

TABLE XI. Canadian Long-Term Investments Abroad[1], Selected Year Ends 1939-1954

(Millions of dollars)

Location and Year	Direct Investment in Branches, Subsidiaries and Controlled Companies					Portfolio Investments in Foreign Securities			Government of Canada Credits	Total	Total Private Long-Term Investments Abroad
	Railways and Utilities	Industrial and Commercial	Mining and Petroleum	Other Concerns	Total Direct Investment	Stocks	Bonds	Total Portfolio Investment			
Countries:											
9	249	289	123	10	671	511	208	719	31	1,421	1,390
5	239	337	138	6	720	454	167	621	707	2,048	1,341
1	320	723	117	6	1,166	467	142	609	1,922	3,697	1,775
2	326	771	163	11	1,271	669[3]	161	830	1,866	3,967	2,101
3	402	879	215	9	1,507	690	179	869	1,778	4,152	2,374
4	427	960	245	12	1,644	723	203	926	1,705	4,275	2,570
United States:											
9	211	176	21	4	412	380	121	501	—	913	913
5	212	214	25	4	455	317	92	409	—	864	864
1	288	549	71	4	912	289	87	376	—	1,288	1,288
2	293	572	95	8	968	450[3]	86	536	—	1,504	1,504
3	365	652	123	7	1,147	469	95	564	—	1,711	1,711
4	390	711	145	10	1,256	490	89	579	—	1,835	1,835
United Kingdom:											
9	—	53	—	6	59	22	21	43	—	102	102
5	—	53	—	1	54	26	27	53	561	668	107
1	1	73	—	—	74	17	17	34	1,394	1,502	108
2	1	80	—	—	81	17	14	31	1,357	1,469	112
3	1	103	—	—	104	16	13	29	1,292	1,425	133
4	1	118	—	—	119	17	14	31	1,247	1,397	150
er British Countries[2]:											
9	7	30	17	—	54	7	15	22	—	76	76
5	7	34	28	—	69	7	12	19	—	88	88
1	7	61	20	—	88	6	8	14	—	102	102
2	7	70	35	—	112	6	8	14	—	126	126
3	6	73	54	—	135	6	8	14	—	149	149
4	4	74	60	—	138	6	7	13	—	151	151
er Foreign Countries:											
9	31	30	85	—	146	102	51	153	31	330	299
5	20	36	85	1	142	104	36	140	146	428	282
1	25	39	26	2	92	155	30	185	528	805	277
2	25	49	33	3	110	196	53	249	509	868	359
3	30	51	38	2	121	199	63	262	486	869	383
4	32	57	40	2	131	210	93	303	458	892	434

1. Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents and subscriptions by the nment of Canada in the International Monetary Fund and International Bank for Reconstruction and Development which are partly offset by short term as- h Canada of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies.
2. Including investments in Newfoundland prior to 1949.
3. New series not strictly comparable with earlier years.



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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1956:

Summary 5
Factors Relating to Recent Imbalance 6
Quarterly Developments 8
Bilateral Changes 10
Major Components of the Current Account 11
Capital Movements: 19
Summary 20
Direct Investments 22
Transactions in Portfolio Securities 25
Other Capital Transactions

Canada's International Investment Position:

General Review 28
Foreign Financing of all Canadian Investment 31
The Petroleum Industry 33
Ownership of Canadian Funded Debt 35

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1951-1956 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1954-1956 8
3. Foreign Exchange Rates: U.S. Dollar in Canada, 1955 and 1956 9
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1947-1956 10
5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1956 11
6. Adjustments to Merchandise Trade, 1955 and 1956 14
7. Major Components of Canada's Current Account with All Countries, 1951-1956 14
8. Travel Expenditures between Canada and Other Countries, 1948-1956 15
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1950-1956 16
10. Freight and Shipping Transactions between Canada and Other Countries, 1951-1956 17
11. Miscellaneous Current Transactions with All Countries, 1955 and 1956 18
12. United States Direct Investment in Canada, 1946-1956 21
13. Transactions in Canadian Securities between Canada and Other Countries, 1956 23
14. Transactions in Foreign Securities between Canada and Other Countries, 1956 24
15. Estimated Composition of "Other Capital Movements", 1950-1956 26
16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1956 29
17. Value of Non-Resident Long-Term Investments in Canada, Selected Year Ends, 1900-1956 29
18. Value of United States Investments in Canada, Selected Year Ends, 1926-1956 29
19. Foreign Financing of all Canadian Investment, 1946-1956 32
20. Direct Investment in Canada by Countries other than the United States and the United Kingdom, End of 1955 33
21. Estimated Investment in the Petroleum Industry in Canada, by Country of Ownership and Principal Activity of Company, End of 1945 and 1955 34
22. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, End of 1956 36
23. Changes in Ownership of Canadian Long-Term Funded Debt, 1953-1956 36

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1955 and 1956 37
II. Annual Statements of the Canadian Balance of International Payments, 1946-1956 38
III. Current Account Between Canada and All Countries, 1926-1956 41
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1954-1956 42
V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1956 46
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-1956 46
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-1955 47
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1955, by Type of Security and Nature of National Ownership 48
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1955, by Type of Investment 50
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-1955, by Type of Business 51
XI. Number of Canadian Concerns Controlled Abroad, End of 1955, by Country of Ownership and Type of Business 52
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1954 52
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-1956 53
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1954 53
XV. Ownership and Control of Selected Canadian Industries, 1953 and 1954 54
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1954 56

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1956

Summary

The continuation of strong expansionary forces in the Canadian economy from 1955 into 1956 was accompanied by an unprecedented growth in the deficit on Canada's international current account. The deficit of $1,372 million incurred in 1956 from transactions in goods and services with other countries was almost double the deficit of $698 million in 1955 and three times that of a year earlier.

Over 75 per cent or $500 million of the $674 million increase in 1956 was related to a larger imbalance on merchandise trade. This growth in the importance of the trade deficit in the total deficit reflects new high levels of trading activity, and in particular the large increase in imports. The substantial gains in almost every phase of the economy during 1956 exerted further pressures on Canada's productive capacity, and shortfalls in the face of these demands were met for the most part with imported goods. Industrial machinery and equipment, and construction materials were a prominent feature of this growth, and were imported in substantial quantity particularly from the United States. The overall picture was one of general gains in most import categories of consumer and industrial goods from a majority of countries.

The increase in exports was less pronounced, although still substantial, and a considerable part was due to the growth in grain exports. At the same time, the intensive resource development program of the past few years made further contributions to the Canadian export potential. With both export and import prices some 2 to 3 per cent above the 1955 averages, there was only a marginally favourable movement in the terms of trade, and volume changes in imports and exports were only slightly less than the corresponding value changes.

Receipts and payments in 1956 for non-merchandise transactions increased by some 6 and 12 per cent, or $100 million and $200 million respectively in 1956. The resultant deficit of $638 million established a new peak, although its share in the total deficit contracted as the relative importance of merchandise trade in the total rapidly rose. The overall expansionary influences of a fast growing economy were evinced by increased payments for the whole range of "invisible" imports. On the other hand, there were similar, if less dynamic forces tending to increase "invisible" receipts. However, with the exception of gold production available for export, each category of the non-merchandise account continued in deficit, and in almost every case, the deficit was significantly larger.

As in 1955, the growth in the deficit with the United States in 1956, accounted for some 85 to 90 per cent of the total increase. A substantial decline in the surplus with the United Kingdom accounted for the rest of the deterioration in 1956.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1951-1956

(Millions of dollars)

Account	1951	1952	1953	1954	1955	1956	Change in 1956
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,833	+ 501
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,567	+ 1,024
Balance on merchandise trade	- 147	+ 489	- 58	+ 13	- 211	- 734	- 523
Other current receipts	1,216	1,319	1,339	1,307	1,518	1,604	+ 86
Other current payments	1,586	1,644	1,724	1,752	2,005	2,242	+ 237
Balance on non-merchandise transactions	- 370	- 325	- 385	- 445	- 487	- 638	- 151
Current account balance	**+ 517**	**+ 164**	**- 443**	**- 432**	**- 698**	**- 1,372**	**- 674**
Direct investment in Canada	+ 309	+ 346	+ 426	+ 392	+ 417	+ 595	+ 178
Net new issues of Canadian securities	+ 227	+ 227	+ 189	+ 128	- 18	+ 541	+ 559
Net trade in outstanding Canadian securities	+ 38	- 94	- 31	+ 63	- 27	+ 207	+ 234
All other capital movements	- 57	- 643	- 141	- 151	+ 326	+ 29	- 297
Net capital movement	**+ 517**	**- 164**	**+ 443**	**+ 432**	**+ 698**	**+ 1,372**	**+ 674**

Note: Mutual Aid to NATO Countries is not included in either current receipts or payments.

Canada's contribution of Mutual Aid to NATO countries was $157 million in 1956, bringing the total contribution from 1950 to date to over $1,300 million. These unilateral transactions, as measured for balance of payments, include shipments of equipment and supplies, and the provision of training for European aircrews.

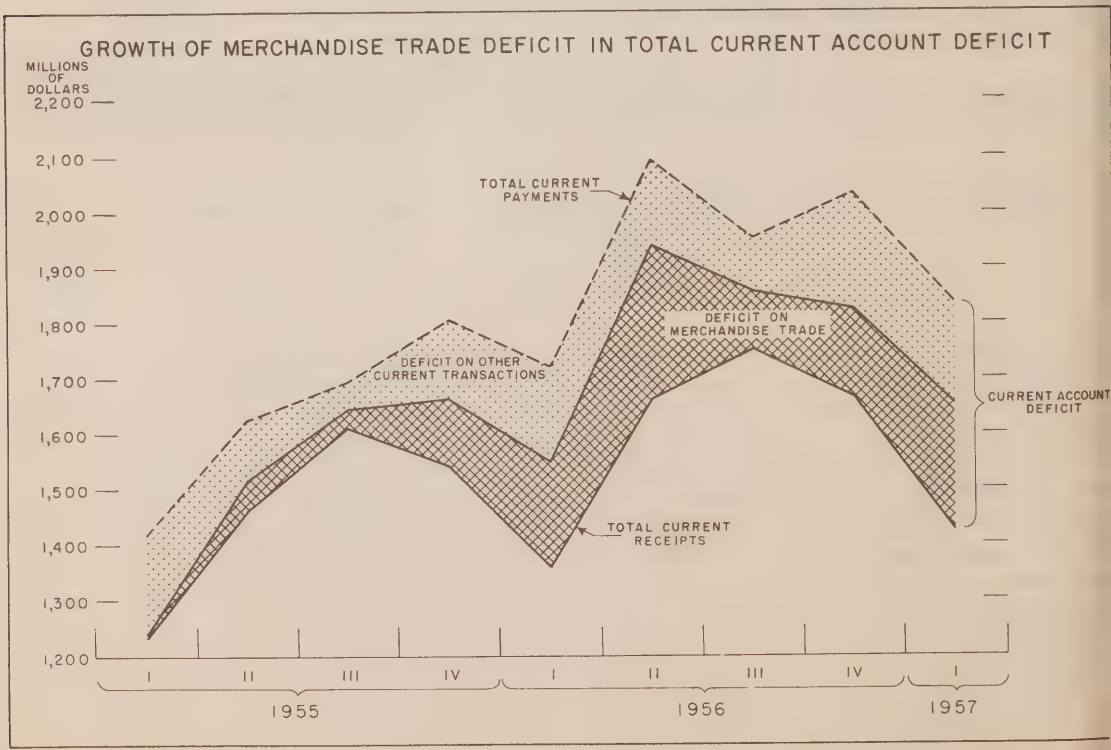
The record imbalance on current account was financed by a greatly enlarged inflow of capital. This was accompanied by the strengthening during the year in the exchange value of the Canadian dollar. Inflows of capital of a long-term type in 1956 were more than three times the amount in 1955. These capital inflows in long-term forms were sufficient to finance almost all of the current deficit, in contrast to the previous year when a considerable amount was financed by short-term inflows. In 1956 monetary pressures and shortages of capital in Canada had important effects upon inflows of long-term capital from abroad. The accompanying rise in interest rates in Canada contributed to a heavy volume of borrowing abroad by Canadian provincial and municipal governments and corporations, through the sale of new issues of Canadian securities at more favourable terms than were available in Canada. This borrowing along with further enlarged inflows of capital for direct investment by foreign firms and for outstanding Canadian stocks helped bring about an unprecedented rise in non-resident investments in Canada and the rise in the net indebtedness to other countries described in the final section of this report.

The use of foreign resources contributed about one-third of the financing of net investment in Canada in 1956, and direct foreign financing amounted to an even larger portion.

Factors Relating to Recent Imbalance

The pattern shown in the Canadian balance of international payments in 1956 exhibited in a more accentuated form many of the characteristics which emerged earlier in the 1950's. The degree of imbalance was the most outstanding feature in 1956 and in absolute terms exceeded by far the disequilibrium in earlier years. In relative terms too, the imbalance which occurred in 1956 was greater than in any but a few most exceptional periods, the most recent of which was 1930. Another record development in 1956 was the size of the inflow of capital in long-term forms. But comparisons with earlier years may not be carried far as accompanying conditions in different periods have varied greatly.

The great enlargement in the current account deficit in the year was caused chiefly by a more than tripling in the size of the deficit on commodity trade with the greater expansion in imports than in exports. This was a type of imbalance that first



became prominent in the latter half of 1955 following a period of a relatively small amount of imbalance on commodity account. In addition, there was a further large growth in the deficit from non-commodity transactions, the group which has been rising steadily during most of the 1950's and which has constituted most of the current deficits until 1956. Leading contributors to the growth in this latter imbalance have been net remittances of income, and payments for travel, transportation and a great variety of business services.

Most of the inflows of capital for long-term investment have taken the broad forms of inflows for direct investment in business enterprises controlled abroad and inflows into Canadian securities. In 1956 there were sharp increases in both these types of capital investment and the inflows from security transactions became the largest source, in contrast to earlier years when the major source was the direct investment type of inflow. The largest single change in inflow was a fourfold rise in new issues of Canadian securities sold abroad.

A factor with far-reaching consequences underlying this imbalance in Canada's international accounts has been, of course, the high rate of growth in the Canadian economy and the strong pressures of demand for goods, services, and capital from non-resident sources accompanying the high levels of economic activity. The need for external resources has been particularly evident in the demands arising from investment activity which have contributed directly and indirectly to a rise in imports; this rise outpaced the large expansion in Canada's export capacity which has been under way at the same time.

The rapid development of Canada's natural resources, much of it by capital from outside Canada, has been a leading stimulus to the sustained high levels of investment in the Canadian economy. For some years the proportion of national expenditure on construction and on machinery and equipment has been exceptionally high, and these expenditures rose rapidly by 24 per cent in 1956 to a point where they represented some 26 per cent of the gross national expenditure. This in turn has contributed widely to the use of external resources to supplement Canadian supplies, so enlarging the deficit in Canada's current account in goods and services with other countries. The increase in business inventories in 1956 was also higher than for some years and this is another type of demand that may absorb imports.

The main impetus to investment has been the development of natural resources, utilities and other activities required in their exploitation. These developments have been particularly conspicuous in such industries as the exploration, development, and refining of petroleum, and in pipe lines and other transportation, in iron ore and uranium mining, in the smelting and refining of non-ferrous metals like aluminum and nickel, and in other mining, the pulp and paper industry, chemicals, and the hydro-electric power required by so many of these industries. In most of these areas of development, enterprises under non-resident ownership and control have been prominent, and external sources of capital have played an important part in the original decisions to invest in or expand the Canadian branch or subsidiary, and in the financing. Non-resident sources of financing in many of these industries are not confined to capital inflows into Canada. Earnings accruing to non-residents or other internal sources within the Canadian branch or subsidiary such as depreciation allowances, have also contributed major elements to the financing of investment. Borrowing in Canada may also play a part and usually the equity and subsequent claims to residual earnings remain in non-resident hands.

Expansion, of course, has also been general in other branches of industry and business and in the investment of social capital as well. But the general atmosphere of growth so often initiated in the development of resources and further stimulated by the rapidly rising population, has been a factor tending to spread investment into secondary industry mainly to meet the needs of a rising Canadian market. The development of natural resources financed by non-residents on the other hand has more often been initiated in anticipation of the needs or prospects of export markets particularly in the United States.

The combined effects of the heavy investment at a time when there is a good climate for exports and the related high levels of employment, incomes, and consumption, have been in the direction of mounting pressures in the Canadian economy. This investment, of course, has led to the strong demands for imported goods and services, and the drawing upon real physical resources outside of Canada is reflected in the enlarged current account imbalance. The broad sources of supply available abroad of most goods and services which are accessible for purchase by Canadians have contributed a flexibility to the group of items in the current account of Canada's balance of payments. Canadian needs of most foreign goods and services are not in themselves large enough to constitute a relative supply problem outside of Canada. And the exchange premium on the Canadian dollar, again closely related to the strength of the capital inflows, has also played some part in the expansion of Canadian imports.

The extent to which financial resources abroad have been drawn upon is shown by the size and form of international movements of capital to Canada described in the section of this report on Capital Movements. Besides serving to finance the current account deficits the capital inflows have helped bring about the unprecedented rise in investment in Canada and so have added to the demands for imported goods and services which the inflows have made it possible to finance. The sustained inflows, of course, made possible the high exchange value of the Canadian dollar which also made it cheaper to import goods and services.

Some of the effects of the prolonged period of capital inflows upon Canada's investment position are described in the section dealing with Canada's International Investment Position. The amount of non-resident investment in Canada since 1950 has been growing at an unprecedented rate as external resources have been drawn upon. This has been particularly the case in the dynamic areas of Canadian development, mining, petroleum exploration and development, and manufacturing, where the ratios of non-resident ownership and control have been rising. In contrast the relative position of Canadian capital has been increasing in investments in utilities and in merchandising and, of course, in the broad areas of social capital and in ownership of agricultural, residential, and other property.

And it should be repeated that while the relative dependence upon foreign resources has risen in the recent period of accelerated development coinciding with the 1950's, this dependence is still relatively much less than in some earlier periods of accelerated development such as occurred in the years before the First Great War. But the ratios of the use of foreign resources and of direct financing which have appeared during the past year, or so seem to have exceeded corresponding ratios for any similar period in the interval with the exception of a brief period in 1929 and 1930.

Quarterly Developments

The expansion in business activity which was evident throughout 1955 continued in full strength into 1956, and brought with it record quarterly current account deficits. The annual deficit of $1,372 million was almost double the deficit in 1955. The percentage increases of each quarter of 1956 as compared to the corresponding quarter of 1955 were 96, 167, 140, 40 per cent and the rise for 1956 in total was 97 per cent. In terms of absolute level and percentage increase, the deficit reached a peak of $435 million in the second quarter of the year.

From the fourth quarter of 1955, the deficit in merchandise trade played a strategic role in creating the overall deficit. In the first quarter of 1956, the total deficit as compared to a year earlier had increased by $178 million to $363 million; the trade deficit increased by $187 million. By the end of 1956 the predominance of the trade deficit had lessened somewhat as greater imbalance occurred in the "invisible" items.

The similarity of movement in the commodity deficit and the total deficit tends to conceal a variety of movements within individual components throughout the year. In the first quarter of 1956 as compared to the same quarter of 1955, merchandise exports rose moderately (9 per cent), but imports rose much more (28 per cent). In the second quarter both exports and imports experienced the largest quarterly advances for several years, and resulted in a record quarterly deficit. In the third and fourth quarters there was a falling off in the percentage gains over 1955, and the commodity deficit narrowed somewhat. This was mainly because the deficits in the latter part of 1955 were most abnormal for that period of the year. Accordingly the even larger deficits in the two final quarters of 1956 are indicative of the high degree of imbalance prevailing in a season when the more normal tendency has been for a surplus on commodity account.

Payments on non-merchandise account were larger in every quarter of 1956 compared to the same quarter of 1955, and net payments much higher in every quarter except the first. The component items with only minor exceptions, all showed consistent quarterly gains over the previous year. Receipts showed advances in each of the first three quarters of 1956, but fell off in the fourth quarter. This decline was primarily the result of smaller interest receipts as a result of the deferment of interest on the 1946 loan to the United Kingdom. In general, there were quarterly gains in immigrants' receipts, and revenue from freight and other services.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1954-1956

(Millions of dollars)

Country or Area	1954				1955				1956			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
United States	- 236	- 285	- 57	- 229	- 277	- 280	- 151	- 327	- 414	- 527	- 246	- 453
United Kingdom	+ 23	+ 30	+ 68	+ 108	+ 71	+ 99	+ 68	+ 92	+ 68	+ 35	+ 69	+ 82
Other sterling area	+ 15	+ 12	+ 6	+ 11	+ 22	+ 13	+ 20	+ 5	+ 19	+ 19	+ 1	+ 11
All other countries[1]	+ 21	+ 48	+ 3	+ 30	- 1	+ 5	- 22	- 35	- 36	+ 38	- 28	- 10
All Countries	**- 177**	**- 195**	**+ 20**	**- 80**	**- 185**	**- 163**	**- 85**	**- 265**	**- 363**	**- 435**	**- 204**	**- 370**

1. Including other OEEC Countries.

Average export and import prices advanced by some 2 to 3 per cent from 1955 to 1956, and volume changes were only marginally less than the comparable value changes. Export prices rose slowly throughout 1956, with a gain of some 2½ per cent from the end of 1955. Import prices on the other hand rose early in the year, declined mid-year, and rose again in the last few months, to close the year relatively unchanged. The terms of trade in 1956 on average were fractionally more favourable than in 1955. As import prices fell during the second quarter the terms of trade moved in Canada's favour, but retracted somewhat as import prices rose again in the final months of 1956. Trends in prices of both exports and imports were affected by the weakening in the exchange rate for the United States dollar in Canada, which occurred in the latter part of the year. This had the effect of moderating increases in commodity prices when converted to Canadian dollars.

The year 1956 began with a higher quarterly level of capital inflows in long-term forms than for any quarter in 1955. The effects of large outflows for direct investment abroad and for retirement of foreign-held Canadian securities were more than offset by a sharp increase in the sale to non-residents of new issues, influenced by the relatively large differential between interest rates in Canada and in the United States. Despite the growth in flows of long-term capital in the first quarter of the year, they fell far short of the current account deficit and there was a capital inflow of the order of $200 million in short-term forms. This was the largest net movement of this character which has occurred since the beginning of official quarterly estimates in 1950. A large part of it is presumed to be related to the sharp growth in the rate of the commodity deficit over this period.

In the second quarter net outflows for direct investment abroad were abnormally low as Canadians disposed of some major holdings abroad. At the same time retirements of foreign-held Canadian securities fell to more normal levels and inflows of foreign capital both for direct investment in Canada and for new issues of Canadian securities reached high levels. Movements in long-term forms more than doubled, and they covered an increased share of the current account deficit of record proportions incurred in this quarter.

The third quarter of the year witnessed some reduction in the rate of inflows in long-term forms, particularly as inflows of foreign direct investment capital were not maintained at the high level of the second quarter. But under seasonal influences the current account deficit fell sharply and there were capital outflows in short-term forms of more than $100 million. In the final quarter of the year there were record inflows both for direct investment and new issues, and these, coupled with the normally heavy inflow covering repayments on Canadian loans to overseas governments, led to a net inflow in long-term forms slightly surpassing the previous record established in the third quarter of 1950 under quite different circumstances. The deficit on current account rose, of course, and the net outflow in short-term forms was smaller than in the third quarter.

These developments were accompanied by the marked shift in the exchange rate. The price of the United States dollar in Canada fell from 99 29/32 cents at the end of 1955 to 95 31/32 cents at the end of 1956. It moved through a high of 99.97 cents in February and a post-war record low of 95.66 cents in November, a trading range of 4.31 cents which was wider than for any year since 1952. In general, persistent strengthening of the Canadian dollar on the international exchange market was characteristic of 1956. The Canadian dollar had weakened through 1955 and the annual noon averages for the two years were not greatly different, 98.63 cents in 1955 compared with 98.41 in 1956.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1955 and 1956

Quotations reported on transactions between banks in the exchange market

(Source: Bank of Canada)

Quarter	1955			1956		
	High	Low	Noon Average	High	Low	Noon Average
	(Canadian cents per unit)					
I	99.06	96.47	97.60	99.97	99.81	99.88
II	98.97	98.19	98.54	99.87	98.00	99.12
III	99.00	98.22	98.58	98.44	97.44	98.03
IV	100.06	98.97	99.81	97.62	95.66	96.62
Year	**100.06**	**96.47**	**98.63**	**99.97**	**95.66**	**98.41**

Closing Quotations: 1955, 99.90625; 1956, 95.96875.

Bilateral Changes

In 1956 as in 1955, transactions with the United States played a dominant role in the increase of the current account deficit with all countries by $674 million to $1,372 million. Of this $674 million increase from 1955 to 1956, $605 million was with the United States; similarly of the $940 million increase from 1954 to 1956, $833 million was with that country. The resulting current deficit of $1,640 million with the United States was far above any earlier year and compares with the previous peak of $1,134 million in 1947.

The surplus with the United Kingdom fell by $76 million in 1956 after a $101 million gain in 1955. Balances with other overseas countries again showed divergent tendencies. Following a sharp decline in surplus from 1954 to 1955, the small 1955 surplus was maintained and slightly increased in 1956. This small and relatively unchanged surplus was the net result of lower surpluses with the rest of the Sterling Area, and other OEEC countries, and a smaller deficit with all other countries.

The $605 million growth in the deficit with the United States was related to both merchandise and non-merchandise items. Exports and imports of goods rose $252 million and $740 million respectively, and the trade deficit advanced by $488 million to $1,173 million. Receipts and payments for "invisibles" increased by $46 million and $163 million, and the deficit in "invisibles" advanced by $117 million to $467 million. The continuing high level of economic activity in the United States during 1956 and the consequent demand for raw materials was a main force behind the rise in exports of goods and services to that country. In addition there were marked gains in the export of some products which are in the process of development in Canada.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1947-1956

(Millions of dollars)

Country or Area	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	Change in 1956
United States	- 1,134	- 393	- 601	- 400	- 951	- 849	- 904	- 807	- 1,035	- 1,640	- 605
United Kingdom	+ 633	+ 486	+ 446	+ 24	+ 223	+ 388	+ 133	+ 229	+ 330	+ 254	- 76
Other sterling area	+ 242	+ 129	+ 135	- 23	- 24	+ 114	+ 83	+ 44	+ 60	+ 50	- 10
Other OEEC countries	+ 276	+ 226	+ 185	+ 108	+ 223	+ 332	+ 173	+ 93	+ 24	+ 12	- 12
All other countries	+ 32	+ 3	+ 12	- 43	+ 12	+ 179	+ 72	+ 9	- 77	- 48	+ 29
All Countries	+ 49	+ 451	+ 177	- 334	- 517	+ 164	- 443	- 432	- 698	- 1,372	- 674

In the past, a large part of Canada's requirements for industrial machinery and equipment, and construction materials has been supplied from the United States. The pace of industrial growth and resource development in 1955 and 1956 resulted in a sharp expansion in Canadian import demands of this type. At the same time there has been a growth in payments by Canadians for non-merchandise items associated in part with this investment program; however the greatest increases in expenditures for "invisible" items arose from larger income payments, travel expenditures, and transportation costs. Non-merchandise payments to Canada by the United States were somewhat above the level of the previous year. This was primarily the result of increased military expenditure by the United States Government and larger freight receipts, but the effect of the gain in receipts was somewhat offset by declines in remittances of earnings to Canadian companies by branches and subsidiaries situated in the United States.

The decline of the surplus with the United Kingdom in 1956 was the result of a relatively larger increase in payments to that country, reinforced by a decline in receipts for "invisible" items. There was a marked falling off of exports of lumber to the United Kingdom, and a substantial increase in imports of electrical and industrial equipment. The major change in the non-merchandise account was a decline in receipts of income which came about as a result of the deferment of interest on the 1946 loan to the United Kingdom.

The $7 million increase in the surplus with overseas countries (excluding the United Kingdom) conceals a $22 million drop in the surplus with other Sterling Area and OEEC countries and a $29 million drop in the deficit with all other countries.

The surplus with the Sterling Area (excluding the United Kingdom) declined to $50 million in 1956 as compared to much larger ones in the post-war years. Exports remained relatively unchanged in total, while imports largely from Jamaica increased somewhat in 1956. The small decline in the surplus from non-merchandise items reflected larger Colombo Plan expenditures in 1956.

Both exports to and imports from OEEC countries increased by some $100 million, leaving the trade deficit relatively unchanged. This was partial-

ly a result of the extraordinary need of grain in Europe, and continued pressure on resources in Canada and overseas for a variety of commodities. Relatively larger payments for "invisible" items reflected the combined effects of increased receipts for shipping services and of migrants' funds; these were more than offset by larger expenditures in travel abroad by Canadians, and larger defense expenditures in connection with Canada's participation in NATO defence.

Exports to all other countries rose by over $100 million, and imports by under $100 million, decreasing the deficit on trade to $72 million in 1956. There were gains in exports to several Latin American countries and Japan; imports increased from Mexico and Venezuela, Japan and the Netherlands Antilles and some Middle Eastern countries. The increase in the surplus for non-merchandise items related largely to rising receipts for freight and shipping services associated with higher costs, and larger volumes of exports.

The net inflow of capital from the United States in 1956 amounted to $936 million compared with $425 million in 1955. It was equivalent to 68 per cent of the current account deficit with all countries and to 57 per cent of the current account deficit with the United States itself. These proportions compared with 61 and 41 per cent respectively for 1955. The net inflow of United Kingdom capital was $294 million compared with $199 million in 1955, and the inflow from other overseas countries was $142 million compared with $74 million in the earlier year. Comment on the parts of these inflows taking long-term forms will be found in the summary of capital movements.

While Canada's current account surplus with overseas countries as a whole fell by $69 million, mainly as the result of the reduced surplus with the United Kingdom, net capital inflows from overseas countries rose by $163 million, of which increase $95 million was from the United Kingdom and $68 million from other overseas countries. As a consequence exchange transfers from overseas countries increased from $610 million in 1955 to $704 million in 1956. The total of $548 million from the United Kingdom was $19 million higher than in the preceding year, and the total of $156 million with other overseas countries represented an increase of $75 million. These multilateral settlements were higher than for any earlier year except 1947 and 1951. In the latter year exchange transfers available in the United States account from transactions with overseas countries totalled more than $1,000 million.

Major Components of the Current Account

Merchandise Trade

As has been pointed out above, the growth of the merchandise trade deficits in 1955 and 1956 played an extraordinarily important role in the overall advance in the balance of payments deficits. Some 84 per cent in 1955 and 78 per cent in 1956

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1956

(1948=100)

Year and Quarter	Price Indexes		Terms of Trade	Volume Indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.3	160.3
1956	121.3	113.0	107.3	128.4	190.0
1955 I	115.7	109.6	105.4	106.9	135.9
II	117.8	110.1	106.9	119.3	166.2
III	118.2	109.9	107.4	122.6	165.8
IV	119.2	112.8	105.6	124.0	172.3
1956 I	120.0	113.8	105.4	112.2	168.9
II	121.8	113.4	107.4	131.9	208.6
III	121.7	112.2	108.5	133.4	186.4
IV	122.3	113.0	108.2	135.2	195.5

Note: Indexes indicate movements in unadjusted trade data.

of the increase in the deficit was related to increased net payments for commodities. But while the commodity trade deficit represented some 30 per cent of the total deficit in 1955, by 1956 the trade deficit was almost 53 per cent of the whole. The $523 million increase in the trade deficit in 1956 resulted from an increase in the deficit with the United States and a decline in the surplus with the United Kingdom; only slightly offset by an increased surplus with all other countries. Exports which had risen by more than 10 per cent in 1955 rose almost 12 per cent in 1956, while imports increased some 22 per cent in 1956 following a rise of 16 per cent in 1955.

Exports

A large part of the increase in exports in 1956 was related to clearances of wheat and exports of other grains, which were particularly high to Eastern and Western European countries who were experiencing severe shortages in 1956, and to the United Kingdom. Exports of grain alone accounted for some $200 million of the $500 million increase in exports but were less than in earlier peak years of 1952 and 1953. Major advances in other commodities were to the United States, Western Europe and Japan, and consisted mostly of industrial materials and primary products.

Much of the strong upward trend in Canadian exports in recent years has been a reflection of the widespread growth which has been underway in the productive capacity of the country. Buoyant external demands for some of Canada's leading export staples have been characteristic of most of the period and wide fluctuations in these demands have been mainly confined to a relatively few commodities of which the best examples are wheat and, more recently, lumber. There has consequently been an increasing diversification in Canadian exports with the emergence of new industries which have added to the export staples. In addition to new products for export like iron ore, petroleum, uranium, and various other minerals and industrial materials, there have been general increases in the productive capacity of more traditional staples like pulp and paper and nickel, aluminum, and copper, to mention only a few.

The increases in exports of some of these commodities have been quite outstanding and were large enough to establish a new record in the value of total exports in 1956 well above the previous peak in 1952 when exports of grains were of unprecedented size. The gain in the value of export of commodities other than grains since 1952 has been over 22 per cent. But the rate of increase in this group of commodities in 1956 moderated, the rise being some 8 per cent compared with 14 per cent in 1955.

The sharp rise in exports of grains in 1956 led to particularly large rises in exports overseas. But almost 60 per cent of total exports continued to be to the United States, the market which has been absorbing so much of the production of minerals, forest products, and other industrial materials, and the total to that country was higher than ever before. At the same time exports of industrial materials to overseas markets were also higher than in any earlier year. The chief exceptions to these upward trends in 1956 were construction materials like lumber and shingles and some types of agricultural implements and fertilizers.

Not far from one-half of the increase of over $250 million in exports to the United States may by accounted for by the rise in exports of three commodities undergoing rapid development,—crude petroleum, uranium, and iron ore, which as a group almost doubled in value. A large part of the remainder of the increase can be accounted for by rises in pulp and paper and most non-ferrous metals. There were also gains in many other commodities exported to the United States, but offsetting much of these were some declines which appeared in lumber and other commodities already noted.

The value of exports to the United Kingdom also rose moderately to a level higher than in any year since World War II with post-war records in exports of non-ferrous metals and some other industrial materials along with larger sales of wheat and rising exports of newsprint. But lumber sales were considerably less than for several years.

Exports to other OEEC countries rose sharply and were higher than any post-war year except 1952, with the upturn in sales of grains and continuing rises in industrial materials such as non-ferrous metals and scrap iron and steel. There were larger exports to most European markets with a particularly sharp gain to Germany.

Exports to the rest of the Sterling Area were relatively unchanged in total in 1956, with declines to Australia and New Zealand and Ireland which were more than offset by increases elsewhere. There was likewise no general trend in the commodity composition of this group of countries. There were, for example, large unusual exports of aircraft to the Union of South Africa, but declines in lumber and other staples and in some products of secondary manufactures.

A gain of more than one-third in exports to all other countries at a level exceeded only in 1951 was chiefly due to the large sales of wheat to the countries of Eastern Europe which amounted to more than $64 million. In addition there was a large increase in exports to Japan to $128 million, chiefly in industrial materials but also partly in agricultural products. Exports to Latin America rose also and at $176 million were some 10 per cent above the previous year, although much less than in the exceptional year 1952 when exports of automobiles to that group of countries were abnormally large.

Imports

Canadian imports have shown an exceptional facility to expand under prevailing pressures during recent years. An increase of 21 per cent in 1956 followed the rise of some 15 per cent between 1954 and 1955 bringing the total to a new level far above that of 1954 and about one-third above the previous peak in 1953. These rises in merchandise imports have been the principal form in which real external resources have been drawn upon, although the rate of increase in imports of services has also been very high. While in some cases the imports are of commodities not made in Canada, in many other instances the rises have apparently supplemented Canadian supplies in a period of exceptional demand. The principal source of external supply has, of course, continued to be the United States from which almost three-quarters of the total again came in 1956. The high rate of increase has been evident in imports from both the United States and overseas.

While the increases in imports have been widespread, there has been a concentration in groups of commodities directly related to the kinds of investment activity which have been so characteristic of Canadian industrial expansion and growth in recent years. Some of the more apparent of these are machinery and equipment for industry and mining and various kinds of construction materials, and these have been among the groups which have shown the most extensive rises. In addition, industrial materials have also shown striking gains with particularly high rates of increase in materials like steel which are employed in the manufacture of products used in investment in Canada. Although the greatest rises have been in commodities directly related to Canadian investment, there have been new records established in most other commodities as well. These include the many types of commodities whose importation is stimulated by the demands of consumers, and are made up of both end products and industrial materials used in the production of goods for consumers. Among other imports which have continued to grow are petroleum and products. And the rises in imports of many of these products may be directly related to the investment activity as well as to the higher levels of consumption.

The general features of the rises in imports with all countries described above tended also to be the pattern which appeared in increases from the principal countries of supply. Industrial countries like the United States, United Kingdom, and some of the countries of Western Europe were leading sources of production of industrial machinery and equipment, steel and other durable goods which constituted such a major part of Canada's increased imports in 1956. Not far from four-fifths of the increased imports from the United States were in the main groups of metals and products, and some of the sharpest rises were in items covering machinery and equipment and steel. Other increases from the United States were generally appreciable, although more moderate. In the case of only a few commodities were there either declines, as with aircraft, or relative stability, as with the total of textiles and fibres, where the diversion of purchases of raw cotton to Mexico offset rises in imports of fabrics and other products.

Likewise in the case of imports from overseas, particularly the United Kingdom and other OEEC countries, the principal increases were in metals and products. With imports from the United Kingdom the rise in total was at about the same rate as occurred with all countries. The largest gains from that source were iron and steel products, especially primary and secondary steel, pipe, and machinery. Textiles from the United Kingdom rose more than in the previous year but were still less than earlier peak levels in 1953. The highest rate of increase was in the total of imports from the other OEEC countries which went up by some 40 per cent with exceptionally big rises in purchases from Germany and Belgium. While increases in imports from Europe were general, including the considerable rise in textiles, there was a concentration in imports of metals and products from these countries as there had been from the United States and the United Kingdom. Among the exceptionally large gains were imports of rolling mill products from Belgium and machinery and automobiles from Germany.

Most imports from the rest of the Sterling Area were relatively stable, not rising as much in total as from elsewhere. There were increases in purchases chiefly from the British West Indies and Africa which were partly offset by declines from a few sources like India. The rise in imports from all other countries at a slightly higher rate than imports from all countries, was most concentrated in larger imports of crude petroleum from Venezuela and the Middle East, purchases of cottons from Mexico, and a sharp gain in imports of Japanese manufacturers in a wide range of items including textiles, other consumer goods and industrial materials.

As has been noted above, export and import prices rose on average by some 2 to 3 per cent from 1955 to 1956, so that the volume changes were only slightly less than the comparable value changes. There was no significant movement in the terms of trade for the year as a whole, although shifts throughout the year were indicated earlier.

Adjustments to commodity trade totals to bring them to balance of payments definitions are shown in statement 6. In line with increased flows of migrants and tourists, there were larger adjustments in 1956 for settlers' effects and tourists' imports and exports. The size of the adjustment connected with procurement for defence, particularly important in earlier years in imports, has been reduced to negligible proportions. But there were in 1956, as in 1955, appreciable deductions from imports of commodities on United States account for defence purposes.

STATEMENT 6. Adjustments to Merchandise Trade, 1955 and 1956

(Millions of dollars)

Exports	1955	1956	Imports	1955	1956
Domestic exports in trade returns	4,281.8	4,790.1	Imports in trade returns	4,712.4	5,705.4
Exports of foreign produce	69.5	73.4			
Total exports	**4,351.3**	**4,863.5**			
Adjustments:			Adjustments:		
Tourist exports	- 2.8	- 3.0	Tourist imports	- 71.4	- 75.2
Settlers' effects	- 21.9	- 27.7	Settlers' effects	- 25.6	- 31.8
Private donations	- 1.5	- 1.6	Advertising	- 7.4	- 7.9
Warehousing	+ 4.2	+ 5.3	Warehousing	+ 11.3	+ 15.4
All other adjustments	+ 2.8	- 3.1	All other adjustments	- 76.7	- 38.7
Total adjustments	**- 19.2**	**- 30.1**	**Total adjustments**	**- 169.2**	**- 138.2**
Merchandise exports (adjusted) (Table I, item A1)	4,332.1	4,833.4	Merchandise imports (adjusted) (Table I, item B1)	4,543.2	5,567.2

There was a slight decline in the value of new gold available for export from $155 million in 1955 to $150 million in 1956. Production of gold in Canada has been declining and a slightly lower average value of the United States dollar in Canada also served to reduce the Canadian dollar value of this item in 1956. The item however, does not precisely coincide with production as changes in stocks are excluded, such as those held in safe-keeping at the Mint for the account of mines. The item since November 1, 1951 has reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April, 1956 have been relatively small sales, by mines not receiving financial assistance from the Government, to non-residents or residents either for export of safe-keeping in Canada. The latter change followed removal of the remaining restrictions upon the sale of gold in Canada or elsewhere announced by the Minister of Finance in March, 1956.

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1951-1956

(Millions of dollars)

Account	1951	1952	1953	1954	1955	1956	Change in 1956
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,833	+ 501
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,567	+ 1,024
Balance on merchandise trade	**- 147**	**+ 489**	**- 58**	**+ 13**	**- 211**	**- 734**	**- 523**
Gold production available for export	+ 150	+ 150	+ 144	+ 155	+ 155	+ 150	- 5
Travel expenditures	- 6	- 66	- 63	- 84	- 121	- 162	- 41
Interest and dividends	- 335	- 268	- 239	- 276	- 323	- 390	- 67
Freight and shipping	- 3	+ 8	- 56	- 43	- 17	- 48	- 31
Inheritances and migrants' funds	+ 7	- 9	—	- 5	- 19	- 14	+ 5
All other current transactions	- 183	- 140	- 171	- 192	- 162	- 174	- 12
Balance on non-merchandise transactions	**- 370**	**- 325**	**- 385**	**- 445**	**- 487**	**- 638**	**- 151**
Current account balance	- 517	+ 164	- 443	- 432	- 698	- 1,372	- 674

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

Travel Expenditures

The deficit on travel account continued to increase in 1956 rising to $162 million from $121 million in 1955. While this was a more moderate rate of increase than in the previous year, the same underlying factors gave rise to the widening gap as Canadian expenditures on travel abroad rose more rapidly than expenditures in Canada of travellers from other countries.

The rise in Canadian expenditures abroad has been most pronounced in travel overseas. In 1956 Canadian expenditures on travel overseas at $107 million were some three times as high as in 1951. This is a much greater rise than has occurred, for example, in United States travel expenditures overseas which have approximately doubled in the same period. And the number of Canadians travelling overseas is relatively greater than the number of residents of the United States travelling abroad, with the higher proportion of Canadians travelling across the Atlantic, particularly to the United Kingdom. For the same reason the average expenditures of Canadians overseas tends to be high as only a relatively small proportion of this overseas travel is to destinations close to Canada. Rising incomes and growing facilities for crossing the Atlantic as well as new opportunities for travelling elsewhere have been instrumental in making this extended travel possible, particularly for the many Canadians with close connections with European countries.

The total of $107 million spent overseas by Canadians in 1956 compares with $86 million in 1955, a rise of 24 per cent. Some three quarters of the total was spent in Europe or paid to European carriers. Of this total $46 million was spent in the United Kingdom and $41 million in the other OEEC countries of Europe, with a larger rise occurring in the latter than in the former total. Expenditures in the rest of the Sterling Area remained close to $8 million while travel elsewhere rose substantially with expenditures estimated at $12 million.

Canadian expenditures in the United States also continued to rise but at a much more moderate rate than in the case of expenditures overseas, the rise being about 8 per cent to $391 million. About one-half of the expenditures was by persons travelling by automobile and this group accounted for the greatest part of the rise, as has been the case for some years. In the period since 1951 more than two-thirds of the rise has been in the expenditures of travellers by car which have more than doubled. This is an even greater rise than has occurred in the ownership of passenger cars in Canada. Sharp increases have also been shown in expenditures of plane travellers which in 1956 were about three times the level in 1951.

In comparison with the rises in Canadian expenditures abroad the gain in non-resident travel expenditures in Canada was small in 1956. The increase of some $8 million to a total of $336 million was divided between the outlays by travellers from the United States and from overseas. Receipts from overseas visitors are relatively small and in 1956 continued to be subject to restrictions in many countries. The main feature of United States expenditures in Canada has been their relative stability for some years, but in both 1955 and 1956 the level was higher than ever before. Fluctuations have been comparatively small, apparently being affected by such variable factors as unfavourable weather and the premium on the Canadian dollar.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948-1956

(Millions of dollars)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
1948	267	113	+ 154	12	21	- 9	279	134	+ 145
1949	267	165	+ 102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	- 121
1956	308	391	- 83	28	107	- 79	336	498	- 162

Income Account

In 1956, and for the third year in a row, the deficit on income account increased. The gain was larger than in earlier years, and raised the total deficit to a post-war peak of $390 million. The increase from 1954 to 1955 had come about as a result of a larger increase in income payments as compared to receipts; in 1956, on the other hand, the increased deficit was the result of a rise in payments accompanied and reinforced by a decline in receipts.

The $47 million rise in payments of income was made up almost entirely of increased dividend payments and profit remittances. In spite of an increase in new bond issues sold abroad from $100 million in 1955 to some $600 million in 1956, (provincial and municipal government issues increased from $50 million to $350 million, and corporations excluding railways from $50 million to $250 million), the interest burden of these sales did not make itself felt until the last quarter of the year. However, this volume of new financing at greatly increased interest rates, will eventually effect a substantial rise in interest payments to non-residents, as will the recent heavy sale of outstanding bonds.

The post-war peak of the deficit in 1956 has been paralleled by a similar peak in dividend payments, although the increase in the latter was smaller in 1956 than in the year previous. The continued growth in dividend payments reflects increased earnings and a significant rise in non-resident participation in Canadian equity capital, both direct and portfolio. Branches and wholly owned subsidiaries in Canada of non-resident companies remitted substantially larger amounts to their parents in 1956. This was particularly true of resource industries where the foreign interest is large, and some new companies which are beginning to operate at a profit. Dividends of public companies were higher in many instances, as was the degree of foreign ownership. These increases in dividend payments and profit remittances were effected in spite of the exceedingly heavy financial requirements of the investment programs both in Canada and abroad. It is of interest to note that if account were taken of the earnings of Canadian corporations which accrued to non-residents in 1956 but which were not paid out, the total income on foreign-owned investment in Canada would likely reach nearly a billion dollars.

Receipts of interest and dividends declined by $20 million in 1956. The major factor contributing to this decline was the deferment of interest on the 1946 loan to the United Kingdom, which is discussed more fully elsewhere in this report. Increased income from official holdings of foreign exchange mitigated somewhat the effect of this decline.

In spite of small increases in receipts of dividends from concerns operating in Latin America, and from public United States companies in which Canadians have direct and portfolio interest, dividend receipts in total declined from $106 million in 1955 to $102 million in 1956. This decline was the result of smaller remittances by some branches and subsidiaries of Canadian corporations in the United States and overseas.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1950-1956

(Millions of dollars)

Year	Account with United States					Account with United Kingdom					Account with All Countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	54	107	326	-358	2	18	16	56	-52	38	102	128	402	-390

Freight and Shipping Transactions

A sharper gain in payments than in receipts for freight and shipping transactions led to an enlarged deficit on this account in 1956. While influenced by the great increase in the import balance on commodity account the increase in the deficit on transportation account was moderated by a significant increase in receipts.

Payments by Canadian importers for ocean shipping services increased unusually sharply in 1956. The rise of $26 million in these payments to some $103 million was about one-third. Some one-half of this increase was for ocean transportation on petroleum and products which rose more rapidly than freight on other commodities. Increased tonnages of commodities (wet and dry) were responsible for part of the rise but increased voyage charters and liner rates were also important contributors. In addition there was a moderate increase in the expenditures abroad by Canadian owners and operators of vessels in connection with their operations and on the time charters for foreign vessels operated in their services. Another increase of some 20 per cent occurred in the payments to the United States for inland freight on various types of transportation used in carrying imports to Canada. Some of these rose from higher rates as well as from the increased volume and changing composition of imports.

The rise in receipts was greatest in the case of earnings on inland transportation on exports. A very considerable part of this may be attributed to the increased exports of certain bulk commodities on which transportation costs are high in relation to value. The growth in exports of commodities like iron ore and petroleum has been accompanied by rising earnings each year on transportation in Canada by pipelines and other carriers and the higher level of exports of grain in 1956 also was accompanied by higher receipts in inland freight. There was also an appreciable rise in the receipts from ocean shipping but this was in the earnings from traffic between foreign countries rather than from export services maintained from Canadian ports by Canadian operators. Receipts from charters and other income from abroad by Canadian shipping companies were also higher while the expenditures of foreign ships in Canadian ports showed little change.

The deficit on transportation account with all countries continued to arise from imbalance in the account with the United States. The latter deficit grew sharply to $130 million from $84 million in the previous year. But this increase was partly offset by a larger surplus from this type of transaction with overseas countries as a group which rose to $82 million from $67 million. The surplus with the United Kingdom was less, while the customary deficit with other OEEC countries was reduced and the surplus with other countries increased.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1951-1956

(Millions of dollars)

Item	1951	1952	1953	1954	1955	1956
Receipts by Canada						
Ocean Shipping:						
Canadian operated ships:						
Gross earnings on exports	54	56	58	61	78	76
Charter receipts	12	13	7	3	9	18
Revenues between foreign ports	34	33	17	18	28	38
Sub-Total	100	102	82	82	115	132
Expenditures of foreign ships in Canada	40	43	41	35	45	45
Gross Shipping Receipts	**140**	**145**	**123**	**117**	**160**	**177**
Inland freight on exports	177	201	161	159	185	204
Intransit revenues	28	29	29	29	32	33
Other receipts	6	8	5	8	21	36
Gross Receipts (Table 1, item A6)	**351**	**383**	**318**	**313**	**398**	**450**
Payments by Canada						
Ocean Shipping:						
Expenditures abroad of Canadian shipping companies	33					
Charter payments	27	64	60	67	95	102
Freight on imports via Canadian ports	76	71	75	66	77	103
Gross Shipping Payments	**136**	**135**	**135**	**133**	**172**	**205**
Inland Rail Freight in U.S. on Imports:						
Coal via vessel	49	48	48	39	40	53
Coal via rail	38	33	26	22	20	25
Other rail freight	97	117	121	112	121	143
Sub-Total	184	198	195	173	181	221
Miscellaneous Payments	34	42	44	50	62	72
Gross Payments (Table 1, item B6)	**354**	**375**	**374**	**356**	**415**	**498**

Inheritances and Migrants' Funds

Receipts of migrants' funds rose sharply in 1956, as immigration to Canada increased from 110,000 in 1955 to 165,000 the following year. A major portion of the increased flow was from the United Kingdom and continental Europe. Facilities for bringing Hungarian refugees to Canada became available late in November 1956, and the number who actually immigrated in that calendar year was around 4,000. At the same time, there was also a substantial outflow of emigrants' funds from Canada to the United States as emigration to that country rose by some 18 per cent in 1956.

Primarily as a result of these marked increases in immigration and emigration in 1956, receipts of inheritances and migrants' funds rose by $12 million to $98 million, and payments by $7 million to $112 million. The net result was a decline in the deficit from $19 million to $14 million.

Miscellaneous Current Transactions

Both receipts and payments for miscellaneous current transactions increased in 1956 to record levels of $430 million and $604 million respectively. The resulting deficit of $174 million was some $12 million larger than in 1955, but $18 million smaller than the 1954 deficit. Each of the major components in the account showed a larger deficit in 1956, with the exception of government transactions which had slightly larger net receipts.

The surplus in government transactions rose from $61 million to the record level of $79 million in 1956. A significant feature of this rise was the increase in receipts resulting from United States government expenditures for defence establishments in Canada. These larger receipts were somewhat offset by an increase in Canadian defence expenditures abroad, arising chiefly from the cost of maintaining the Canadian military brigade and air force squadrons stationed in Western Europe forming Canada's share in the NATO forces in Europe, and the United Nations force in the Middle East.

In addition to the above direct military expenditures abroad there was Canada's contribution of Mutual Aid to the North Atlantic Treaty countries. This amounted to $157 million in 1956 and was chiefly made up of shipments of military equipment to Canada's NATO partners in Europe and the provision of training to NATO aircrews in Canada. Being a contribution of military aid in this form, Mutual Aid to NATO has not been taken into the current account balance, although the item is shown in the all country totals of the annual tables. The credit entries representing provision of goods and services are offset by corresponding payments entries representing the contributions, so that they do not affect the net current account balance.

Exports of goods and services financed by Canadian government contributions to the Colombo Plan and for refugee relief were $6 million larger in 1956. The total of $30 million was chiefly made up of shipments and services under the Colombo Plan to Ceylon, India and Pakistan.

As has been mentioned above, the number of immigrants who came to Canada rose sharply in 1956. As a result of this recent inflow and the substantial cumulative inflow over the whole of the post-war years, the amount of overseas remittances by new Canadians continued to rise in 1956. In addition there was an increase in private personal and institutional contributions for refugee relief.

Miscellaneous income receipts and payments increased by $8 million and $9 million during 1956. Profit remittances to Canada from the operations overseas of Canadian financial institutions were substantially larger. The extraordinary earnings from Canadian holdings of United Kingdom treasury bills in 1955 dropped to negligible proportions in 1956. The increase in payments in the past year arose for the most part from the growing importance of foreign capital in Canada, and from higher rates of return on capital. In particular there were increases in interest paid on loans and advances to non-resident subsidiaries and branches in Canada, and

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1955 and 1956

(Millions of dollars)

Item	1955		1956		
	Receipts	Payments	Receipts	Payments	Balance
Official contributions	–	24	–	30	- 30
Government transactions, n.o.p.	192	131	218	139	+ 79
Personal and institutional remittances	22	71	23	79	- 56
Miscellaneous income [1]	47	55	55	64	- 9
Business services and other transactions	130	272	134	292	-158
Total (Table 1, items A11 and B9, 11)	**391**	**553**	**430**	**604**	**-174**

1. Including transfers of branch profits by insurance companies and banks.

on other Canadian liabilities abroad, including mortgages in Canada held by insurance companies in the United States.

Receipts and payments for the wide variety of business services, including insurance premiums and claims and certain expenditures by the transportation industry not included in the freight account, rose by $4 million and $20 million respectively. The deficit on net transactions increased by some $16 million. On the basis of continued expansion of activity in the United States and most overseas countries, there was an overall increase in receipts from the provision of services by Canadians to non-residents. Noteworthy was the increase in expenditures in Canada by non-resident airlines and foreign business corporations. As a result of the pace of development and growth in Canada, and the increased participation of non-residents in Canadian industry, there was a general tendency for payment for services to non-residents to rise in 1956. Among the significantly larger items were subsidiary and branch payments to non-resident owners for management, research and other services, airline expenditures abroad, trade promotion and advertising expenditures, and payment for programs and films for television and radio.

Capital Movements

Summary

An unprecedented volume of capital investment coupled with an already generally high level of economic activity subjected the Canadian economy to special strains in 1956, and these had important effects on international capital movements. It has already been noted that the physical impact of these pressures was felt in the substantial deficits incurred on current account as the Canadian economy supplemented its own output with large net draughts on the goods and services of other countries. Strong pressures were also created on Canada's capital market, and there were sharp increases in interest rates. Higher interest rates were, of course, also characteristic of foreign capital markets but the differential between rates in Canada and in the United States widened somewhat. This development contributed to a very large volume of financing abroad by provincial governments, municipalities, and corporations. These inflows were superimposed on the persistent inflows in recent years for direct investment in foreign-controlled enterprises in Canada and for portfolio investment in Canadian equities, both of which reached new heights in 1956. For the year as a whole the inflow for direct investment is placed at $595 million. Transactions in Canadian securities led to a further inflow of $748 million, which included $265 million of equities. These two groups of transactions added $1,343 million to Canadian external liabilities in long-term forms. On the long-term asset side there were outflows of $110 million for direct investment abroad, but inflows of $12 million and $69 million respectively occurred from transactions in foreign securities and repayments on loans made by Canada. Transactions in the long-term forms described above together with those appearing in statement 15 led to a net capital import of $1,350 million which was in striking contrast to the $410 million recorded in 1955. With outflows covering reductions of foreign-owned Canadian dollar holdings and the increase in official holdings of gold and foreign exchange, other capital movements led to a net capital inflow of $22 million in 1956 compared with $288 million in 1955.

Capital movements in long-term forms were sufficient to finance on balance more than 98 per cent of the current account deficit in 1956. In 1955 they covered less than 60 per cent. In each earlier post-war year of current account deficits, capital imported in long-term forms exceeded the deficit to be financed. Thus, in 1955 and 1956 the great demands of the booming Canadian economy were satisified in part by drawing goods and services from abroad which represented the real transfer and use of long-term financing obtained in earlier periods. A review of the quarterly statistics reveals that by mid-year this phase came, temporarily at least, to a close. The growing internal problem of financing capital expenditure in Canada led to increasing resort by Canadian borrowers to foreign capital markets, and at the same time there were increased transfers from overseas countries on which international developments undoubtedly had some influence. From the middle of the year the capital imported in long-term forms was more than adequate to cover the physical drawings from abroad. The latter, however, tend to be normally most heavily concentrated in the first half of the year.

The United States continued to be the major source of long-term external capital for Canada in 1956. Indeed, the net movements in long-term forms were somewhat more than two-thirds from the United States in 1956 in contrast to just under one-half in 1955 when there was a significant volume of repatriation of Canadian funded debt from that country. Although overshadowed by the size of the tremendous inflows of more than $900 million from the United States, which were some four times their size in 1955, the movements in long-term forms in 1956 from the United Kingdom and from other overseas countries also rose sharply. While overseas countries have not, as a general rule, been an important source of debt capital for Canada for many years past, their demand for Canadian portfolio equities, together with some major direct investments in Canada and the placement of some new Canadian issues in European markets, brought the total inflow in long-term forms to more than $425 million for the year. This is more than double the figure for 1955 and is far in excess of any year since the commencement of regular official balance of payments statistics in 1926.

Some characteristics of Canada's international capital account will be evident from a comparison of the movements in 1956 with those in earlier years.

There has been for some years now a persistent and sizeable inflow of capital directed to particular areas of economic activity and associated with non-resident techniques, markets, etc., of which much direct investment is typical, as well as inflows of portfolio capital for investment in equity securities to participate in the long-run prospects of the Canadian economy. In addition in periods of particularly insistent capital demands within Canada there have been other sizeable inflows which might be regarded as marginal in the sense that they were called upon to supplement domestic resources. Such inflows tend to involve creation of external debt as distinct from equity investment. Relative levels of interest rates in Canadian and external capital markets are a most important influence on them. The inflows are for the most part actively sought abroad by Canadian borrowers, and the form of the borrowing is designed particularly to attract foreign investors. A burden of exchange risk is inherent in all international borrowing, and in such periods this tends to be accepted by the borrower through incurring indebtedness payable in foreign currency, rather than by the lender. In 1956 net new issues abroad of funded debt payable optionally or solely in foreign currency totalled well over $400 million in contrast to 1955 when there were net retirements of $125 million. The movements in 1956 were in sharp contrast to those which occurred in 1950 which was also a period of substantial inflows of portfolio capital. In that year, however, the movements originated for the most part with foreign investors rather than Canadian borrowers, and the exchange risk was borne by the investors and was indeed the primary reason for much of the inflow. Another aspect of interest in the financing of the unprecedented deficit of 1956 was the negligible role played by capital movements for the account of the Government of Canada. Among the inflows in long-term forms were repayments received on loans to overseas governments but these were more than offset by net retirement of Government of Canada direct and guaranteed debt in foreign hands.

Direct Investment in Canada

The net movement of capital to Canada for direct investment in foreign-controlled enterprises rose to unprecedented heights of $595 million in 1956, surpassing by 40 per cent the previous record of $426 million established in 1953 and by 43 per per cent the inflow of $417 million which occurred in 1955. It has already been noted that despite this striking increase, direct investment, which had been not only a persistent but also the dominant component of the capital account since 1950, was dwarfed in 1956 by the inflow of portfolio capital.

Resource development and associated industries continued to attract the preponderant part of foreign direct investment capital. The petroleum industry received larger amounts than ever before. Inflows into manufacturing showed a sharp increase over 1955, much of it related to basic resource and export industries and to the provision of industrial and construction materials. There were also significant direct investment inflows to holding and real estate companies.

Capital of United States origin accounted for $409 million or 69 per cent of the total direct investment inflows in 1956, comparing with $306 million in 1955 which represented 73 per cent of the total in that year. Capital from the United Kingdom amounted to $113 million comparing with $68 million the previous year, and the movement from other overseas countries rose to $73 million from $43 million in 1955. The 1956 movements were in each case new records. The net inflow from the United States was a third larger than in 1955 and was nearly a fifth larger than the previous record established in 1953. The inflow of British capital was some two-thirds larger than in 1955 and half as large again as the previous record set in 1954. And the inflow from other overseas countries was nearly 70 per cent above the record of 1955.

Details of the post-war movements of capital for United States direct investment in Canada appear in statements 12 and 12A which also indicate the other factors contributing to the growth in the book value of these investments. Particularly noteworthy among these factors in 1956 was the inflow of portfolio capital from the United States which added $212 million to investment in United States controlled companies. This capital movement was more than half the size of the net direct investment inflows. New issues of bonds and borrowings by finance companies were the most important elements.

Substantial amounts of the flow of direct investment capital from the United Kingdom were directed to the petroleum industry, uranium mining, and aluminum production, as well as the repurchase of the controlling interest in a ship building and engineering equipment firm. This firm had been established in Canada prior to the First World War by a British concern but had been controlled in Canada for thirty years. The large inflow from other overseas countries was mainly of Western European origin and included important amounts for the petroleum industry, iron and steel products, cement plants, real estate, and financial companies.

Successive new records for direct investment inflows were set in the second and fourth quarters of 1956. The final quarter's movement represented an annual rate of nearly three-quarters of a billion dollars, but it included two large transactions which were of a special nature, the acquisition by United States interests of a controlling interest in a major Canadian food-processing company, and the subscription by a parent company to an offering of stock to existing shareholders by a Canadian petroleum company. A similar subscription contributed to the previous quarterly record set in the final quarter of 1951.

STATEMENT 12. United States Direct Investment in Canada, 1946-1956

(Millions of dollars)

Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956[2]	1946-1956
Gross inflows of new capital:												
Petroleum industry (exploration, development, refining, transportation, merchandising)	2	12	23	59	116	140	178	172	187	195	228	1,312
Mining n.i.e.	—	2	5	10	30	37	98	104	66	60	62	474
Pulp and paper	20	11	14	3	9	31	7	1	23	35	33	187
Manufacturing n.i.e.							71	52	41	77	121	
Utilities n.i.e.							2	6	2	9	2	
Merchandising n.i.e.	41	41	37	42	88	101	5	31	9	21	12	901
Financial							1	13	15	17	12	
Miscellaneous							2	4	7	9	10	
Sub-total	**63**	**66**	**79**	**114**	**243**	**309**	**364**	**383**	**350**	**423**	**480**	**2,874**
Return of capital	25	8	18	30	43	39	45	37	62	117	71	495
Net capital inflow for direct investment (Table I, item D1)	38	58	61	84	200	270	319	346	288	306	409	2,379
Net other identified capital movements affecting the investment of United States residents in United States-controlled enterprises[1]	- 43	- 35	20	17	17	34	129	- 2	22	32	212	403
Net capital inflow	**- 5**	**23**	**81**	**101**	**217**	**304**	**448**	**344**	**310**	**338**	**621**	**2,782**
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	129	97	178	187	114	166	186[3]	332	299	364[3]	287[4]	2,339
Net increase in book value (Table XB)	**124**	**120**	**259**	**288**	**331**	**470**	**634**	**676**	**609**	**702**	**908[4]**	**5,121**

Note: In addition to investment in new construction and new machinery and equipment included in gross domestic investment as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

1. New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
2. Preliminary.
3. This figure is affected by unusually large reclassifications between direct and portfolio investments.
4. Provisional estimate subject to revision.

Statement 12A. Additional Detail of United States Direct Investment in Canada, 1955 and 1956

(Millions of dollars)

	1955					1956				
	Direct Investment Transactions			Other Capital Movement[1]	Net Capital Inflow	Direct Investment Transactions			Other Capital Movement[1]	Net Capital Inflow
	Inflows	Outflows (-)	Net Inflow			Inflows	Outflows (-)	Net Inflow		
Petroleum industry (exploration, development, refining, transportation, and merchandising)	195	- 2	193	16	209	228	- 8	220	131	351
Mining, n.i.e.	60	—	60	-29	31	62	-17	45	5	50
Pulp and paper	35	- 40	- 5	- 1	- 6	33	- 4	29	- 1	28
Manufacturing, n.i.e.	77	- 53	24	16	40	121	-30	91	20	111
Utilities, n.i.e.	9	- 7	2	- 2	—	2	—	2	- 1	1
Merchandising, n.i.e.	21	- 6	15	—	15	12	- 4	8	—	8
Financial	17	- 3	14	31	45	12	- 2	10	59	69
Miscellaneous	9	- 6	3	1	4	10	- 6	4	- 1	3
Total	**423**	**-117**	**306**	**32**	**338**	**480**	**-71**	**409**	**212**	**621**

1. See footnote 1 to Statement 12.

Direct Investment Abroad

The net outflow of capital from Canada for direct investment abroad amounted in 1956 to $110 million. This compared with $74 million in 1955 and with $81 million in 1954 which was the previous record. About 70 per cent of the net movement was to the United States. There were a number of major transactions during the year involving the acquisition by Canadian interests of control over existing enterprises abroad, the largest such transactions being in the merchandising field. Canadians also disposed of major interests in other ventures in which Canadian capital had long been dominant, including public utilities in Latin America. Outflows to overseas countries were particularly large and were mainly in the field of mining.

Summary of Transactions in Portfolio Securities

It was in movements of portfolio security capital that the impact on the Canadian balance of payments of heavy financing demands appeared most dramatically in 1956. During the year Canada imported some $760 million, net, of capital through international security transactions. This tremendous figure compares with a capital export of $51 million in 1955 and is considerably more than twice as large as the previous record net inflow established in the exceptional circumstances of 1950. Transactions in portfolio securities were a dominating feature of the international capital account in 1956, as the balance from these transactions exceeded for the first time since 1950 the net inflow for direct investment in foreign controlled enterprises. The net capital import from all portfolio security transactions included $207 million from trade in outstanding Canadian issues, and $681 million from the sale to non-residents of new Canadian issues, offset to the extent of $140 million by retirements of foreign-held Canadian securities. A net inflow of $12 million occurred, on balance, from transactions in foreign securities.

A striking development in 1956 was the increased flow of portfolio investment capital from overseas countries to Canada. While the inflows were intensified with the growing international tension in the latter part of the year, the trend was unmistakable before the occurrence of political disturbances. The net inflow in the first half of 1956 was $76 million, and in the second half it rose to $149 million. The net movement from overseas countries reached $225 million for the year as a whole compared with $33 million in 1955 and with the previous post-war record of $48 million in 1954. This change was influenced to a very limited extent by the absence in 1956 of major financing in the Canadian market by non-residents. But for the most part it reflected sharp growth in sales of outstanding Canadian securities both to the United Kingdom and to other overseas countries.

Notwithstanding the sharp increase in the portfolio capital movement from overseas, the United States was by far the most important source of external capital of this type. The net movement from that country amounted to $535 million in 1956, in contrast to an outflow of $84 million recorded in 1955. The earlier post-war record for the net capital movement from the United States for all security transactions was $382 million in 1950.

For five successive quarters from the second quarter of 1955 the movement towards increased inflows of capital from portfolio security transactions was evident. In the second quarter of 1955 there had been a net outflow of $52 million. By the third quarter of 1956 the inflow reached a peak of $231 million which was only $73 million below the massive inflow in the third quarter of 1950; it will be recalled however, that the earlier movement was related to exchange rate considerations and was not part of a sustained inflow of that order of magnitude. The movement in the final quarter of 1956 fell to $223 million, mainly due to outflows to the United States from trade in outstanding Canadian securities and to some reduction in the rate of inflow from the United Kingdom.

Some idea of the tremendous volume of international security movements may be gained from the fact that the gross transactions between Canada and other countries in 1956 exceeded $3.2 billion This turnover was $0.5 billion higher than in 1955.

Additional comment and statistical detail on international movements of portfolio capital, including quarterly figures of new issues and retirements classified by debtor, will be found in the monthly series of DBS reports covering "Sales and Purchases of Securities between Canada and Other Countries", particularly the December issue which contains an annual review. The report for December 1956[1] discusses the relationships between interest differentials and exchange rates, on the one hand, and new issues and trade in outstanding bonds on the other. It also compares the net inflow of United States portfolio capital for investment in Canadian securities in 1956 with that in 1950, the year of previous post-war record, revealing significant differences.

Transactions in Outstanding Canadian Securities

Trade in outstanding Canadian issues in 1956 was dominated by the sale to non-residents of Canadian common and preference stocks. The net sales balance for the year totalled $195 million reflecting an increase of more than forty per cent over 1955, and setting a new record for the third successive year. The inflow rose from $31 million in the first quarter to new heights of $57 million and $78 million in the second and third quarters respectively, but fell in the final quarter to $29 million. Compared to this significant inflow for equity portfolio investment in Canada, the trade in outstanding Canadian bonds, debentures and other

1. Due to revisions the figures in this report will in some cases differ from those included in the earlier publication.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1956

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Issues	Proceeds of New Issues	Retirements	Total
By Type of Security				
Bonds and Debentures:				
Government of Canada, direct	+ 13	+ 9	- 51	- 29
Government of Canada, guaranteed	- 8	—	- 32	- 40
Provincial government (including guaranteed)	- 11	+224	- 15	+198
Municipal government	+ 2	+114	- 18	+ 98
Railways, not guaranteed by Government	—	—	- 2	- 2
Other corporations	+ 16	+259	- 17	+258
Sub-total: Bonds and Debentures	+ 12	+606	- 135	+483
Common and Preference Stocks	+195	+ 75	- 5	+265
Total (Table I, items D3, 4, 5)	+207	+681	- 140	+748
By Country				
United States	+ 41	+616	- 133	+524
United Kingdom	+ 83	+ 29	- 1	+111
Other Sterling Area Countries	—	—	—	—
Other OEEC Countries	+ 86	+ 36	- 4	+118
Other Countries	- 3	—	- 2	- 5
Total (Table I, items D3, 4, 5)	+207	+681	- 140	+748
By Quarter				
First quarter	+ 77	+111	- 71	+117
Second quarter	+ 43	+181	- 23	+201
Third quarter	+ 70	+178	- 24	+224
Fourth quarter	+ 17	+211	- 22	+206
Total (Table I, items D3, 4, 5)	+207	+681	- 140	+748

securities led to a net inflow of only $12 million. There was a substantial inflow of $46 million in the first quarter, which exceeded the net sales of Canadian stocks in that period; this total included $31 million Government of Canada direct and guaranteed issues and $11 million corporate issues. But in each of the later quarters there were outflows of capital from transactions in outstanding Canadian bonds as Canadians became net repurchasers of this group of securities; during the nine months the net repatriation through repurchases amounted to $34 million which included some $26 million of Government of Canada direct and guaranteed issues.

Net sales of outstanding Canadian securities to the United States amounted to $41 million in 1956 which included net sales of $74 million of Canadian common and preference stocks offset by net repurchases of $33 million of Canadian bonds and debentures. These figures are in sharp contrast to the results from security trading in 1955 when there was a net purchase balance or capital export of $67 million. In that year Canadians sold to the residents of the United States $92 million on balance of outstanding Canadian common and preference stocks, but they repurchased $159 million of outstanding Canadian bonds, and debentures, which included $82 million net repatriation of outstanding Government of Canada direct and guaranteed issues, and $61 million of provincial issues. It has been revealed that during 1955 Government accounts were acquiring Government of Canada direct issues payable in United States dollars.

The group of eight special investment funds established by United States interests under circumstances described in previous reports continued to be an important influence in the Canadian stock market. Their holdings of Canadian securities, mainly common stocks, rose in market value during the year by some $85 million. A part of this sum represented capital appreciation of their portfolios and is not reflected in the net sales of Canadian securities to residents of the United States. Nevertheless these investors probably accounted for between $65 and $70 million or more than 90 per cent of the net sales balance of $74 million from trade in outstanding Canadian common and preference stocks with the United States. In 1955 the proportion was under 65 per cent. It is of particular interest to note that during the second half of 1956 these funds appear to have added to their holdings of Canadian stocks at a time when other United States investors as a group were reducing their portfolios.

Trade in outstanding Canadian issues with the United Kingdom and with other overseas countries also led to impressive capital inflows in 1956. For the fourth successive year Canada had a sales balance from security trading with the United Kingdom. In each year from 1937 to 1952 there had been a purchase balance or capital export. The capital

import of $83 million in 1956 represented a sharp increase over the total of $26 million recorded in 1955, and was actually larger than the total for the three years from 1953 to 1955. Particularly noteworthy in 1956 were the sales of Canadian common and preference stocks to residents of the United Kingdom, which amounted to $72 million. The balance of the net movement represented sales of $11 million of Canadian bonds, debentures and other securities. In the light of the very large movements, it is worth recalling that security sales to residents of the United Kingdom do not necessarily reflect current outflows of capital from that country. For example, it is possible that some transactions represent the switching by United Kingdom investors between their holdings of United States (and other dollar) securities and of Canadian securities. Moreover, some sales attributed in this report to the United Kingdom may be to nominees for non-residents of that country.

Transactions in outstanding Canadian securities with other countries led to a net capital inflow of $83 million. This total compared with $14 million in 1955 and was practically double the previous record set in 1954. The net sales included $49 million of Canadian common and preference stocks compared with $18 million in 1955, while there were net sales of $34 million of other securities, mainly Government of Canada and corporate bonds, in contrast to net purchases of $4 million in 1955.

New Issues and Retirements of Canadian Securities

The proceeds of new issues of Canadian securities sold abroad set a new record of $681 million in 1956. In the final quarter of the year new issues were sold to non-residents at an annual rate of well over $800 million. The total for the year compared with $166 million in 1955 and with the previous record of $411 million established in 1951 which was also a period of strong demand in the Canadian capital market. Reference has already been made to the increased differential between interest rates in Canada and in the United States in 1956 as compared with 1955. Provincial governments, municipalities and corporations were all substantial borrowers abroad during 1956. Residents of the United States bought about 90 per cent of the new issues sold to non-residents compared with somewhat more than 75 per cent of the smaller total in 1955. But at the same time there was a significant increase in the amount of new issues sold to European investors. Between 85 and 90 per cent of the new bonds and debentures sold to non-residents were payable solely or optionally in foreign currencies. Retirements of foreign-held Canadian securities amounted during 1956 to $140 million. This repatriation was lower than for any other postwar year except 1948 and 1952. A very substantial part of foreign-owned holdings retired during 1956, 95 per cent, was held by residents of the United States. Between 80 and 85 per cent of the bonds and debentures retired were payable optionally or solely in foreign currencies.

Transactions in Foreign Securities

In contrast to 1955 when Canadians added, on balance, to their holdings of foreign securities, in 1956 they were net sellers. In each year there were net capital inflows from trading in outstanding issues, amounting to $25 million in 1955 and $27 million in 1956. The net inflow in the latter year

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1956

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Account	Trade in Outstanding Issues	Proceeds of New Issues	Retirements	Total
By Type of Security				
Foreign Bonds	—	-13	—	-13
Foreign Common and Preference Stocks	+27	- 2	—	+25
Total (Table I, items D6, 7, 8)	**+27**	**-15**	**—**	**+12**
By Country				
United States	+22	-11	—	+11
United Kingdom	+ 3	—	—	+ 3
Other Sterling Area	—	—	—	—
Other O.E.E.C. Countries	+ 2	—	—	+ 2
Other Countries	—	- 4	—	- 4
Total (Table I, items D6, 7, 8)	**+27**	**-15**	**—**	**+12**
By Quarter				
First Quarter	-16	- 1	—	-17
Second Quarter	+10	- 5	—	+ 5
Third Quarter	+10	- 3	—	+ 7
Fourth Quarter	+23	- 6	—	+17
Total (Table I, items D6, 7, 8)	**+27**	**-15**	**—**	**+12**

occurred despite a significant outflow of $16 million in the first quarter when trading was dominated by a substantial participation by Canadian investors in a public redistribution of stock of an automobile company previously owned by a United States foundation. In the subsequent quarters of 1956 Canadians were net sellers of $43 million outstanding foreign securities. The net movement for the year as a whole reflected on balance the sale by Canadians of foreign stocks, mainly of United States corporations. During the year Canadians purchased $15 million of new issues of foreign securities. Retirements of Canadian-held foreign debt were negligible. In 1955 Canadians had purchased $48 million of new issues and $17 million of Canadian holdings were retired.

Loans by Government of Canada

Repayments of principal on the war and post-war loans made by Canada to overseas governments amounted to $69 million in 1956. This capital inflow was the same amount as in 1955. The Government of the United Kingdom repaid $45 million and there were also receipts from Belgium, Czechoslovakia, France, the Netherlands, Norway and the USSR. The payment by the USSR was the final instalment due from that country. A further $10 million was received representing interest on the loans, and this amount is included in receipts of interest and dividends in the current account.

At the end of 1956 the outstanding balances on war and post-war loans of $2,450 million extended by Canada amounted to $1,531 million. There was in addition $34 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. The Government of the United Kingdom was the most important debtor with outstanding loans from Canada amounting to $1,157 million, or nearly three-quarters of the total. This figure included $1,097 million advanced under The United Kingdom Financial Agreement Act 1946. The terms of this loan were modified during 1957 to provide under certain circumstances for the deferment of annual principal and interest payments; previously there had been provision for a waiver of interest on the loan. Post-war loans outstanding to other governments under Part II of the Export Credits Insurance Act amounted to $373 million and agreed payments of principal due in 1956 were received on $324 million of these loans. Other loans outstanding at the year-end amounted to $35 million and included $31 million of inactive loans made after the war of 1914-18.

Change in Canadian Dollar Holdings of Foreigners

An outflow of capital from Canada occurred in 1956 from a reduction of $26 million in the holdings of Canadian dollars by non-residents. This outflow was in contrast to an inflow of $89 million in 1955. Holdings by United States residents fell by $49 million; in part this reflected the use by investment funds of cash held at the beginning of the year. Holdings by residents of the United Kingdom and other overseas countries rose by $23 million. These holdings included $22 million set aside at the year-end by the Government of the United Kingdom in respect of interest on the 1946 loan from Canada. Waiver of this interest payment was requested under the original terms of the loan agreement. The agreement was amended in 1957 and payment of the interest due in 1956 was deferred. Total holdings of all non-residents other than the International Bank for Reconstruction and Development and the International Monetary Fund amounted at the end of 1956 to about $410 million. These holdings included about $45 million of Canadian treasury bills and about $365 million of claims in Canadian dollars on Canadian banks and other depositories.

Change in Official Holdings of Gold and Foreign Exchange

In the course of the operations of the Exchange Fund Account and the other exchange transactions of the Government during the year, the authorities increased official holdings of gold and foreign exchange. The net capital outflow amounted to $33 million. There was a net inflow of $1 million from reduced holdings of sterling, and an outflow of $34 million in connection with Canada's official holdings of gold and United States dollars. These rose, in terms of United States dollars, from $1,901 million at the end of 1955 to $1,936 million at the end of 1956. A month-end low point of $1,865 million was recorded in April, and the year-end figure was the highest month-end recorded during the year. Holdings of sterling are limited to working balances and were of the order of $8 million at the end of 1956.

Other Capital Movements

All "other capital movements" resulted on balance in a net capital inflow of $117 million in 1956, which compared with $204 million in 1955. The net movements were equivalent to less than 9 per cent of the current deficit in 1956, in contrast to some 29 per cent in 1955. But, as will be evident from statement 15, the net movements conceal diverse components whose behavior was particularly divergent in 1956.

In contrast to 1955 when about two-thirds of the net inflow reflected a drawing down of Canadian-owned bank balances and other short-term funds held abroad, in 1956 Canadians added very substantially to their holdings outside Canada. A significant part of these increases represented the proceeds of new issues sold abroad which had not been transferred to Canada at the year-end. Other outflows included reductions of $17 million in the short-term Canadian dollar holdings of the International Bank for Reconstruction and Development and of the International Monetary Fund, and the payment of Canada's subscription of $3.6 million to the International Finance Corporation. It has been revealed by the International Monetary Fund that

STATEMENT 15. Estimated Composition of "Other Capital Movements", 1950-1956

A minus sign indicates an outflow of capital from Canada

(Millions of dollars)

Transactions with all countries	1950	1951	1952	1953	1954	1955	1956	Total 1950-1956
Loans by Government of United Kingdom to a Canadian Corporation	—	25	22	20	—	—	—	67
Canadian Subscription to International Finance Corporation	—	—	—	—	—	—	- 4	- 4
Other long-term capital transactions	- 5	3	- 24	- 10	29	49	40	82
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development and International Monetary Fund[2]	- 5	- 4	- 1	- 18	- 13	- 9	- 17	- 67
Bank balances and other short-term funds abroad (excluding official reserves)[3]	11	- 14	- 168	- 79	- 75	131	- 216	- 410
Borrowings by Canadian finance companies	—	—	35	19	11	23	67	155
All other transactions including changes in loans and accounts receivable and payable[4]	209	118	- 375	- 117	20	10	247	112
Total (Table I, item D17)	**210**	**128**	**- 511**	**- 185**	**- 28**	**204**	**117**	**- 65**

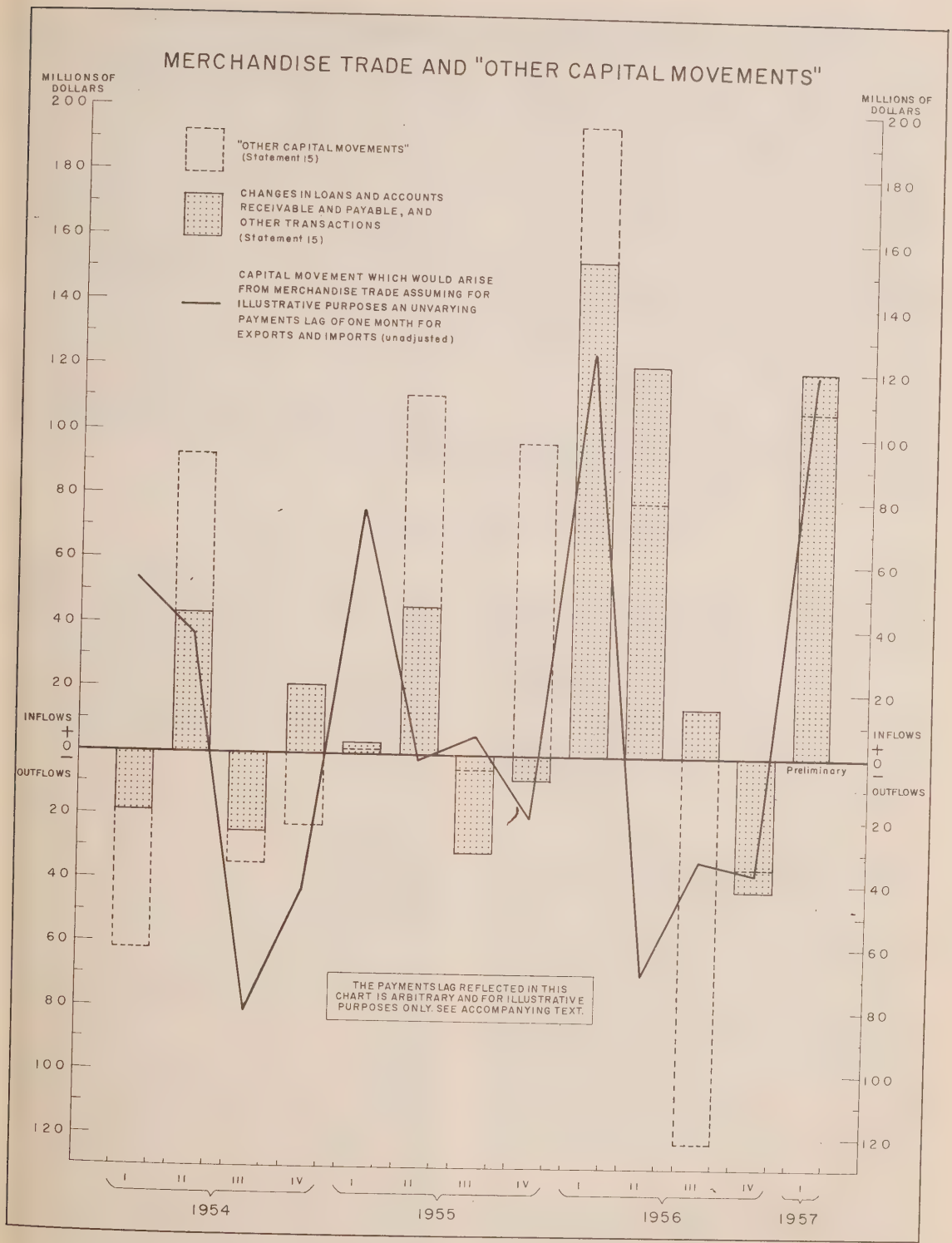
1. Preliminary estimate.
2. Includes also adjustments in Canada's subscriptions occasioned by changes in their value in terms of Canadian dollars (1950-1953 nil; from 1954, +29, -4, -1).
3. Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings; includes in 1950 use of loan proceeds set aside in 1949 (+18).
4. Includes also balancing item representing difference between direct measurements of current and capital accounts.

during the third quarter of the year Egypt purchased from it nearly $15 million in Canadian funds. This is the first occasion upon which the International Monetary Fund has sold Canadian dollars.

Against the outflows referred to in the preceding paragraph, there were large inflows in other forms. Borrowings by finance companies were substantial, and there were also significant capital transfers by financial institutions. And it seems clear in addition that a very large increase must have occurred in Canada's net liability on account of international receivables and payables, although at the present time only incomplete direct evidence of these movements is available. An increased external liability on commercial account is consistent with the high level of trade to be financed and indeed to be expected in the conditions of financial pressure existing in Canada in 1956. A similar substantial capital import in this form occurred in 1950 and 1951 when the credit stringency which was an aftermath of the action in Korea added to the short-term inflows associated with exchange rate considerations. There was a reflux of this capital in 1952 and 1953.

In view of the large movements which occurred in several components of the item in 1956, it is of interest to examine the cumulative results of movements since the end of 1949. It will be noted from statement 15 that the net capital outflow in the seven year period amounted to only $65 million. Among the more volatile elements, an increase of $410 million is indicated in bank balances and other short-term funds held abroad by Canadians. The period covered is one during which, following the elimination of exchange control the commercial and banking sectors were free to increase their external working capital, and one in which, moreover, Canada's gross international transactions increased sharply. And the effects of these influences were reinforced during 1956 by deferral of the transfer to Canada of the proceeds of new financing carried out in the United States under conditions of extreme pressure in Canadian capital markets.

The other large volatile element is the item described as "all other transactions including changes in loans and accounts receivable and payable" which reflects a net capital inflow of $112 million in the seven-year period. Despite very large swings which have occurred in this item, and the fact that it includes also the balancing item representing the difference between direct measurements of the current and capital accounts, the net balance over the period is relatively small and is in the direction which one would expect, considering that a surplus on merchandise trade (unadjusted) of $75 million for the month of December 1949 declined to $9 million for December 1956, and also that tight credit conditions persisted in Canada in the latter year of unprecedented imports.


MERCHANDISE TRADE AND "OTHER CAPITAL MOVEMENTS"
MILLIONS OF DOLLARS
200
180
160
140
120
100
80
60
40
20
INFLOWS
+
0
—
OUTFLOWS
20
40
60
80
100
120
"OTHER CAPITAL MOVEMENTS" (Statement 15)
CHANGES IN LOANS AND ACCOUNTS RECEIVABLE AND PAYABLE, AND OTHER TRANSACTIONS (Statement 15)
CAPITAL MOVEMENT WHICH WOULD ARISE FROM MERCHANDISE TRADE ASSUMING FOR ILLUSTRATIVE PURPOSES AN UNVARYING PAYMENTS LAG OF ONE MONTH FOR EXPORTS AND IMPORTS (unadjusted)
Preliminary
THE PAYMENTS LAG REFLECTED IN THIS CHART IS ARBITRARY AND FOR ILLUSTRATIVE PURPOSES ONLY. SEE ACCOMPANYING TEXT.
I II III IV
1954
1955
1956
1957

Although quarterly figures of the total "other capital movements" have been available in the quarterly estimates of the Canadian balance of international payments, it has not been possible from the sources available to produce quarterly series covering separate components which were considered to be sufficiently accurate to warrant publication. The accompanying chart, however, covers not only the published totals, on a quarterly basis from 1954 through the first quarter of 1957, but also shows the component discussed in the preceding paragraph. It should be emphasized that because of the limited data on receivables and payables available on a quarterly basis and the necessarily arbitrary quarterly allocation of some items elsewhere in the statistics, these estimates are subject to a larger than usual margin of error. There has also been shown on the chart a graph representing the quarterly capital movement which would arise from merchandise trade assuming for illustrative purposes an unvarying payments lag of one month for both exports and imports (unadjusted). Several aspects of short-term movements of international capital which are sometimes overlooked are illustrated by this chart. The diverse character of the components is immediately apparent. For example in the third quarter of 1956 the total is completely dominated by a substantial outflow of capital reflecting a growth in holdings of foreign exchange by residents of Canada, and a significant part of this outflow represents the proceeds of new issues of Canadian securities sold abroad during the quarter, which had not been transferred at the quarter's end. Another aspect of significance is the sizeable movement which would be a normal automatic accompaniment of changing trade balances on the assumption of an unvarying payments lag. In fact, of course, payments terms vary not only with the direction and composition of trade, but also with varying conditions of supply, with absolute and relative liquidity in Canada and elsewhere, with the exchange rate, with seasonal production or distribution of some commodities, and with the relationships existing between buyer and seller. Special significance is attached, therefore, not only to those periods in which the selected capital movements appear to bear a close relationship to changes in merchandise trade, but also to those periods in which no relationship is discernible.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Some of the close relationships between Canada's rapidly rising indebtedness abroad and the types of imbalance and pressures characteristic in the balance of payments in recent years of pronounced Canadian growth have already been described. The rising indebtedness abroad has accompanied the rapid rate of growth in the economy as external resources have been drawn upon, with much of the impetus to the development of Canadian industry coming from non-resident investment, particularly in new resources being opened up.

Outstanding features of recent changes in non-resident investments in Canada have been the amount of their rapid sustained rise over an extended period and their concentration in equities in Canadian industry and resource development. In the interval since 1945 the total value has more than doubled. The rate of increase has been unusually high each year since 1949 with a total increase of some 93 per cent in the seven years between then and 1956. The increase in value of some $7.4 billion since then is much larger than in any earlier corresponding period and the high rate of increase has been sustained for an unusually long period. And by far the largest part of this increase has been in direct investments and other equities in Canadian industry and business, which at the end of 1956 were more than twice as large as in 1949.

In 1956 the rate of increase in indebtedness abroad accelerated to almost 15 per cent. In the one year there was the unprecedentedly large rise of almost $2 billion in external indebtedness, bringing the total value of non-resident long-term investment in Canada to $15,400 million compared with $13,468 million in the previous year, and a total of $7,963 million as recently as in 1949. Some three-quarters of this increase was in the rise in direct investments and other equities in Canadian industry. But in 1956 this was accompanied by a considerable increase in Canadian bonded indebtedness abroad as Canadian financial resources were supplemented in this way.

Some of the broad outlines of the changes in 1956 in comparison with earlier years are given in statements 17 and 18, and in table XIII. The total of investments owned in the United States of $11,651 million continued to represent more than three-quarters of all non-resident investments in Canada, and was close to twice the value in 1949. This rise in United States investments has also made up more than three-quarters of the increase in this seven year period. While the main rise has been in United States direct investments, portfolio investments in Canada owned in that country were in 1956 about one-half as high again as in 1949.

British investments in Canada at $2,675 million in 1956 were at a new post-war peak and not far below the earlier maximum levels which were maintained for several decades following 1914. But these investments now only account for 17 per cent of the total non-resident investment in Canada compared with 36 per cent at the end of 1939 before most of the wartime repatriations. The rise in British investments in Canada from the low point in 1948 has been more than $1 billion and this rise has been particularly concentrated in direct investments which have much more than doubled since then. In

STATEMENT 16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1956

(Billions of dollars)

Item	1926	1930	1939	1945	1949	1953	1954	1955	1956
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	12.6	13.7	14.8	16.7
Gross external assets	1.3	1.5	1.9	3.8	5.2	6.6	6.9	7.0	7.2
Net Indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**6.0**	**6.8**	**7.8**	**9.5**

Note: For further details see table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Long-Term Investments in Canada, Selected Year Ends, 1900-1956

(Millions of dollars)

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1956[2]
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,289	11,651
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,347	2,675
Other Countries	14	178	177	170	188	286	352	832	1,075
Total	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,468**	**15,400**

1. Privately estimated; for sources see table XIII.
2. Provisional estimate subject to revision.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-1956

(Millions of dollars)

Classification	1926	1930	1945	1949	1953	1954	1955	1956[2]
Direct investment	1,403	1,993	2,304	3,095	5,206	5,815	6,517	7,425
Government and municipal bonds	909	1,205	1,450	1,534	1,870	1,822	1,649	1,871
Other portfolio investments	799	1,368	1,106	1,107	1,537	1,651	1,586	1,650
Income accumulating investment funds	—	—	—	—	—	102	170	255
Miscellaneous assets	85	94	130	170	257[1]	302	367	450
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**8,870**	**9,692**	**10,289**	**11,651**

1. New series not strictly comparable with earlier years.
2. Provisional estimate subject to revision.

absolute terms this rise in total British investments in Canada is more than the rise in the investments by all other overseas countries in the same interval, although the rate of increase has been less.

The new record total of $1,075 million in investments owned in other countries other than the United States and United Kingdom for the end of 1956 is some three times the corresponding figure in 1949, and at 7 per cent of the total makes up a larger proportion of the total investments than ever before. Most of these investments are owned in Western Europe and an analysis of the direct investment portion for 1955 is given in statement 20.

This expansion in non-resident long-term investments in Canada has been the principal factor contributing to the sharp rise in Canada's balance of international indebtedness in the same periods. Net liabilities to other countries rose from $7.8 billion in 1955 to $9.5 billion in 1956, and compare with the low point in recent decades of $3.7 billion in 1949. This is the amount by which gross liabilities of residents of Canada to other countries exceeded gross assets abroad as shown in statement 16 and table V. The growth in Canadian assets abroad has had relatively moderate effects on the balances, although an exceptional rate of increase has occurred in some forms of investment like Canadian direct investments abroad which have doubled in value since 1949 and continued to rise in 1956.

A comprehensive analysis of all of these changes and their significance would go beyond the scope of this report. The subject was dealt with in the special report issued in 1956, "Canada's International Investment Position 1926-1954". Statistics in various statements and tables in this report carry the record forward. A predominant feature which stands out in more recent data is the extent to which the trends revealed in that report have been accentuated since then. Likewise, some of the series presented here would show further extensions of some of these changes, if more up-to-date details were available for the preparation of some of the tables, because of the effects of the exceptional capital inflows since 1955.

The analysis of non-resident investments in Canada in 1955 in table IX shows further rises in most industries in that year. The greatest increases were in dynamic areas of Canadian growth like mining and smelting, petroleum, and some branches of manufacturing. It should be noted however, that the rise in the iron and products branch of manufacturing partly reflects changes in the classification of companies formerly shown in miscellaneous manufacturers. Special attention is given elsewhere in this report to the increased investment in the petroleum industry which affects these major branches of industrial activity. There was also a considerable rise in non-resident-owned investments in merchandising and financial institutions, but the opposite was the trend in public utilities including railways. While most of the rise in 1955 was in investments in the United States, there still were considerable increases in that year in investments in industry owned and controlled in the United Kingdom and Western Europe. The trend in non-resident holdings of Canadian bonds is discussed separately.

The relative importance of foreign investment in selected Canadian industries is revealed in tables XII to XVI at the back of this report. These tables bring forward to the end of 1954 much of the statistical work in this field which was covered up to the end of 1953 in the DBS report referred to above. They reflect further increases in 1954 in the percentages of manufacturing and of mining, smelting, and petroleum exploration and development, both owned and controlled by non-residents, although there were again declines in the relative position of foreign capital in the utilities sector. By the end of 1954 the Canadian manufacturing industry was 48 per cent owned by non-residents, while the capital subject to foreign control amounted to 54 per cent of the total. These proportions compared with 44 and 48 per cent respectively as recently as the end of 1951. In the broad field of mining, smelting, and petroleum exploration and development companies, non-resident ownership and control each amounted to 59 per cent at the end of 1954; at the end of 1951 non-resident ownership and control had amounted to 51 and 53 per cent respectively. During 1954 the total book value of investment in the broad industry groups of manufacturing and mining is estimated to have increased by $0.9 billion; in this same period non-resident ownership increased by about $0.6 billion and the value of such investments controlled by non-residents rose by some $0.8 billion. Some idea of the broad spread of foreign investment in the manufacturing, mining, and petroleum industries may be gained from an examination of the data given in table XV. These show that in 1954 the percentages owned by non-residents rose in the case of thirteen of the seventeen sub-groups; non-resident control rose in the case of eleven sub-groups and remained unchanged in the case of two. But resident-owned Canadian capital continued to play a leading role in financing railways and other utilities, and merchandising. Consequently in the total area of investments in Canada covered in table XVI the resident-owned portion of the rise in 1954 was not far from two-thirds of the total. Somewhat the same pattern is also shown in the longer period from 1948 to 1954 with the rise in Canadian-owned investment representing a similar ratio of all investments while in the financing of industry the non-resident source predominates.

An important characteristic of the great rise in non-resident investments in Canada's industry is the degree to which this has been concentrated in large enterprises with exceptional facilities for development. And the foreign investors have been to an important extent the great corporations outside Canada having available large amounts of savings, either from their own operations or through access to their domestic capital markets, whose investment in Canada represents geographical or industrial extension. It is significant that the 500 largest in-

dustrial corporations in the United States[1] account for about 750 of the 3,700 Canadian concerns which are controlled in the United States. The operations of perhaps 100 of these Canadian concerns are limited to merchandising and distributing. Of the 500 only 177 have no investment in Canada, and one of these is itself a subsidiary of a Canadian company. All but ten of the largest 100 have investments in Canada, and their subsidiaries and affiliates in Canada number nearly 400.

Likewise a large number of the 100 largest industrial companies in countries other than the United States[2] have branches or subsidiaries in Canada. A majority of the larger companies in this group have direct investments in Canada in addition to a few which operate chiefly in Canada.

Another notable element in recent Canadian development has been the extent to which this has taken the form of new or increased capacity in Canada's export industries providing industrial materials for the United States market. In many cases the industries under development are concerns which are controlled by or affiliated with corporations in the United States and are often new or extended sources of supply for these parent enterprises. There are, therefore, various continental relationships resulting from many of the new investments as the proportion of Canadian exports to the United States rises and as the stake of large United States companies in Canada increases.

Many of the most prominent companies in the United States have in this way links with the Canadian economy which are often established through subsidiaries or other sources of supply. There has been an extension of large scale enterprise to Canada through these relationships. These concerns have generally grown rapidly, having facilities for financing and design and development of products that are not normally open to solely Canadian concerns. Consequently many of the non-resident controlled concerns in Canada tend to be among the larger industrial units. A large concentration of the direct investment in Canadian industries controlled abroad is in enterprises with investments of $25 million or more. And some 62 per cent of the investment in large enterprises in manufacturing and mining with aggregate investments in Canada in 1953 of $25 million or more was in non-resident controlled enterprises.

Sources of financing within companies like earnings and depreciation allowances have become leading means of financing business development. In Canada unusually large portions of these internal corporate sources of financing accrue to the non-resident owners of Canadian companies as by far the largest part of the investments of non-residents in Canada are in the form of equities, generally branch or subsidiary concerns. Almost half of the earnings of Canadian corporations accrued to non-residents of Canada several years ago. And in the field of manufacturing the corresponding ratio was more than one-half. In the case of larger companies the ratio accruing to non-residents was even higher. As there are these large potential sources of internal finance as well as the parent company sources open to the non-resident controlled group of companies, it follows that the areas of corporate savings open to resident controlled companies have some limitations in relative terms. Similarly Canadian capital markets for securities are affected by this element in the structure of savings which tends to limit personal savings originating in corporate income by the restricted range of equity investment in industry open to individuals. Consequently non-resident investors, particularly corporations in the United States, have exceptional opportunities for participating in Canadian economic growth through their direct and other investments in Canadian industrial equities. Much of the direct investment from overseas countries during the last year or so has also been by large overseas companies with an interest in developing Canadian resources.

1. Directory of the 500 Largest United States Industrial Corporations.
Supplement to Fortune Magazine — July, 1956.
2. Directory of the 500 Largest United States Industrial Corporations.
Supplement to Fortune Magazine — July, 1957.

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches to the question which may be of general interest have been adopted. The first is an attempt to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and net investment. The significance of the latter comparison lies partly in the fact that new financing from abroad is normally for additions to the stock of capital rather than for replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of "Canada's International Investment Position 1926-1954"

A. Use of Foreign Resources

1 { *Current account deficit* (net), adjusted for *retained earnings* of foreign direct investments in Canada and Canadian direct investments abroad, plus *depreciation* and *depletion* on foreign direct investments in Canada / Gross private and public domestic investment, adjusted to show inventories on a value of physical change basis

2 { As in A1 but excluding depreciation / As in A1 but net of depreciation and similar business charges on private domestic investment

B. Direct Foreign Financing of Investment

1 { *Direct investment* in Canada, plus *retained earnings* on foreign direct investments, *new issues* of Canadian securities sold to non-residents[1], other *long-term financing,* changes in *accounts payable,* and *depreciation* and *depletion* on foreign direct investments in Canada / Gross private and public domestic investment, adjusted to show inventories on a value of physical change basis

2 { As in B1 but excluding depreciation / As in B1 but net of depreciation and similar business charges on private domestic investment

The results of these measurements are summarized in statement 19 which shows the substantially increased importance of non-resident investment in Canada in the 1950's to date. During the seven years of this period Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation, and tentative estimates for the most recent year alone suggest that these ratios have risen to about one-third and two-fifths respectively. The two measures have special meaning. In the period 1950-1956 Canadian sources of savings were sufficiently large to finance about four-fifths of net capital formation (as reflected in measure A2) but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings directly financed a smaller part of net capital formation in Canada, with non-residents directly financing the balance of one-third as shown in measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to about one-fifth of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the net use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

A potent force underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources. But detailed study of the structure of industry and of the capital market and its relationship to the mobilization and direction of domestic savings all lie beyond the field of this report.

1. Other than government borrowing of $150 million in 1948 which served to replenish official holdings of exchange.

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-1956

(Percentages)

Measure	1946-1949	1950-1956
A1 Use of foreign resources as a percentage of gross capital formation	1	19
A2 Use of foreign resources as a percentage of net capital formation	- 11	21
B1 Direct foreign financing of gross capital formation	20	26
B2 Direct foreign financing of net capital formation	21	33

Direct Investments owned in Overseas Countries other than the United Kingdom

Direct investment in Canada by countries other than the United States and United Kingdom amounted to $315 million at the end of 1955, having grown fivefold in the post-war years. This rate of growth, much of it concentrated in the past few years, was considerably higher than for either the United States or United Kingdom, although of course the amount involved is much smaller. Since the end of 1955 these investments have continued to grow by reason of additional capital imports and the retention of earnings, and they probably now total well over $400 million. Statement 20 presents for the first time figures showing the geographical ownership of these investments. It will be noted that about 90 per cent of the capital is Western European, and more than one third is Belgian in origin. A substantial part of Belgian investment is in the petroleum industry. French and Swiss investments, the next largest groups, are predominantly in the financial category which also included real estate. Details of the industrial distribution for this group of investments as a whole are contained in table X, part D.

STATEMENT 20. Direct Investment in Canada by Countries other than the United States and United Kingdom, End of 1955

(Millions of dollars)

Country of Ownership	Book Value
Australia	6
Other sterling area	8
Sub-total Sterling area excluding United Kingdom	**14**
Belgium	107
Denmark	7
France	64
Germany	14
Netherlands	9
Sweden	12
Switzerland	57
Other OEEC countries	3
Sub-total OEEC Countries	**273**
Panama	7
Other Latin American countries	1
Sub-total Latin America	**8**
Other Countries	20[1]
Total	**315[2]**

1. Includes some $19 million investment of companies whose beneficial ownership has not been identified by country.
2. Distribution of this total by industry will be found in table X, part D.

The Petroleum Industry

Perhaps the most dramatic single development in the Canadian economy in the post-war period has been the establishment of a great petroleum industry. Estimates of the book value showing ownership and control of the industry at the end of 1945 and of 1955 appear in statement 21. It should be emphasized that the data measure book values of investment for the industry as a whole. Because they are based on corporate financial records they do not reflect investment by particular sectors of the industry, for example, exploration and development, in which refining companies play a dominant role. Nor are they designed to measure physical aspects of particular segments such as reserves, crude production, or refining throughput.

The estimates reveal that the book value of the industry at the end of 1955 was some nine times the value of a decade earlier. By the end of this period the investment owned by Canadians was between five and six times its earlier level, but the investment owned by United States residents and by residents of other countries had risen respectively to fourteen and fifteen times the earlier totals. The differing rates of growth, and the acquisition of Canadian interests by non-resident investors, led to a fall in the proportion of the industry owned in Canada from 59 per cent to 36 per cent. The decline in the proportion of the book value of the industry represented by companies controlled by Canadians was even sharper, the percentage falling from 43 in 1945 to 20 a decade later. In general, the figures given in the statement do not

STATEMENT 21. Estimated Book Value of Investment in the Petroleum Industry in Canada[1], Classification by Country of Ownership and Principal Activity of Company, End of 1945 and 1955

Investment in	Canada		United States		United Kingdom and Other Countries		Total	
	1945	1955	1945	1955	1945	1955	1945	1955
	(Millions of dollars)							
Exploration and Development companies[2]:								
Controlled in Canada	48	303	1	52	1	1	50	356
Controlled in United States	4	90	4	806	—	1	8	897
Controlled in United Kingdom and other countries	—	15	—	5	—	27	—	47
Sub-total	**52**	**408**	**5**	**863**	**1**	**29**	**58**	**1,300**
Refining companies[2]:								
Controlled in Canada	57	121	6	3	—	—	63	124
Controlled in United States	53	337	100	601	6	16	159	954
Controlled in United Kingdom and other countries	—	19	—	9	2	89	2	117
Sub-total	**110**	**477**	**106**	**613**	**8**	**105**	**224**	**1,195**
Merchandising companies[2]:								
Controlled in Canada	19	47	—	—	—	—	19	47
Controlled in United States	—	—	6	9	—	—	6	9
Controlled in United Kingdom and other countries	[3]	—	[3]	—	[3]	—	[3]	—
Sub-total	**19**	**47**	**6**	**9**	**—**	**—**	**25**	**56**
Transportation companies[2]:								
Controlled in Canada	—	22	—	3	—	—	—	25
Controlled in United States	[3]	47	[3]	146	[3]	1	[3]	194
Sub-total	**—**	**69**	**—**	**149**	**—**	**1**	**—**	**219**
Summary								
All Petroleum companies:								
Controlled in Canada	124	493	7	58	1	1	132	552
Controlled in United States	57	474	110	1,562	6	18	173	2,054
Controlled in United Kingdom and other countries	—	34	—	14	2	116	2	164
Total	**181**	**1,001**	**117**	**1,634**	**9**	**135**	**307**	**2,770**
	Percentage Distribution of Ownership							
All Petroleum companies:								
Controlled in Canada	40.4	17.8	2.3	2.1	0.3	—	43.0	19.9
Controlled in United States	18.6	17.1	35.8	56.4	2.0	0.7	56.4	74.2
Controlled in United Kingdom and other countries	—	1.2	—	0.5	0.6	4.2	0.6	5.9
Total	**59.0**	**36.1**	**38.1**	**59.0**	**2.9**	**4.9**	**100.0**	**100.0**

1. Newfoundland is included with Canada in 1945 to preserve comparability with later series.
2. It will be noted that these classifications are corporate and do not reflect the division of operations within individual corporations.
3. Investment is included with refining companies.

Classification of petroleum industry in general investment records

Investment in:	Recorded in Tables IX to XI under:
Exploration and development companies	Mining and smelting
Refining companies	Manufacturing (non-metallic minerals)
Merchandising companies	Merchandising
Transportation companies	Public utilities (other)

reflect natural gas companies except insofar as transportation is concerned. If all the natural gas industry were included with the petroleum industry the book value would be raised by between $175 and $200 million. While on balance, the ownership and control by Canadians is greater for natural gas companies than for the petroleum industry, the overall percentages would not be drastically changed.

It would be no exaggeration to say that over the last ten years oil has dominated the capital account of Canada's balance of international payments. More than a quarter of the growth in the book value of all non-resident-owned long-term investment in Canada has been accounted for by the petroleum and natural gas industry, and more than half of the net inflow of United States capital for direct investment in Canada has been directed to the industry, even before taking into account such ancillary activities as petrochemicals and pipe mills.

The increasing supply of petroleum and natural gas originating in Canada has had an important limiting effect on Canadian imports as well as giving rise to rapidly increasing exports. While the daily rate of domestic consumption rose from 270 thousand barrels in 1947 to 629 thousand barrels in 1955, net imports rose only from 255 thousand barrels to 297 thousand barrels. The percentage of domestic consumption satisfied by Canadian production of crude oil rose in this period from less than 8 per cent to more than 56 per cent with further significant increases since.

Some interesting perspective on the petroleum industry in Canada and elsewhere in the "free world" is contained in a recent private study[1]. Between the end of 1946 and 1955 the proportion in Canada of the gross investment of the industry in property, plant and equipment throughout the "free world" is estimated to have risen from 1.7 per cent to 4.0 per cent. The change is even greater if account is taken of depreciation, depletion and amortization, the proportion in Canada of net investment then rising from 1.4 per cent to 5.0 per cent. The study places Canadian crude oil reserves at 1.4 per cent of the "free world" reserves at the end of 1955, compared with 0.3 per cent in 1946. But it is interesting to note that net investment in production departments in Canada represented 5.5 per cent of the "free world" total in 1955 and 0.6 per cent in 1946. Net investment in all departments of the petroleum industry in Canada at the end of 1955 was higher than for the Middle East.

Ownership of Canadian Funded Debt

The estimated distribution of ownership of the outstanding long-term funded debt of Canadian governments and corporations at the end of 1956 is given in statement 22. The insatiable demands on the Canadian capital market in 1956 brought to an abrupt end the long period during which the trend of non-resident ownership of Canadian funded debt has been one of relative decline. Over the year non-resident ownership rose from 14.5 per cent to 15.8 per cent of the total. In the case of Government of Canada direct and guaranteed issues other than railways, the proportion owned by non-residents was less than 4 per cent. Provincial and municipal debt owned abroad amounted to 26 and 22 per cent of the respective totals. Railway debt, in which non-resident capital was predominant for more than half a century, was 37 per cent foreign-owned at the end of 1956, and the funded debt of other corporations was 28 per cent foreign-owned. In the case of the provincial and municipal categories these proportions were about 2 percentage points higher than in 1955; foreign-owned proportions of the debt of other borrowers remained relatively unchanged.

Statement 24 in the 1955 report in this series gave a detailed classification of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954. By the end of 1955 foreign-owned Canadian funded debt payable optionally or solely in foreign currencies had fallen from $2,818 million to $2,609 million, or from about 11.8 per cent of the total outstanding debt to 10.4 per cent[2]. Preliminary data for the end of 1956 suggest that foreign-held Canadian debt payable optionally or solely in foreign currencies amounted to about $3,025 million, or 11½ per cent of total outstanding funded debt.

Interesting perspective on the parts played under varying conditions in the financing of funded debt by resident and non-resident investors may be gained from a study of statement 23. This statement shows the changes in the ownership of the outstanding long-term funded debt of various classes of Canadian borrowers, divided between Canadian and non-resident lenders, for the past four years. It may seem at first surprising that the increase in funded debt was smaller in 1956 than in 1955. This is because the Government of Canada was a substantial net borrower in the earlier year but, on balance, retired substantial amounts of debt in 1956. Funds supplied by these retirements helped directly or indirectly to finance sharp increases in holdings of mortgages and loans in Canada by the banks and insurance companies, lending which is not, of course, reflected in outstanding funded debt. There was large scale selling of Government of Canada bonds by the chartered banks to finance loan expansion and to improve their liquidity, and by life insurance companies to provide funds for increased investment in mortgages and in provincial, municipal, and corporate securities. In 1956 the large retirements by the Government of Canada

1. Frederick G. Coqueron and Joseph E. Pogue, Investment Patterns in the World Petroleum Industry, Petroleum Department, The Chase Manhattan Bank, New York, December, 1956.

2. Further details appear on page 8 of "Sales and Purchases of Securities between Canada and Other Countries December 1956, and Review of Security Trading during 1956."

STATEMENT 22. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, End of 1956

Debtor	Amounts Outstanding	Distribution of Ownership				Percentage Distribution of Ownership			
		Canada	United States	United Kingdom	Other Countries	Canada	United States	United Kingdom	Other Countries
	(Millions of dollars)					(Percent)			
Government of Canada direct and guaranteed, excluding railways, treasury bills and notes	12,886	12,385	339	72	90	96.1	2.6	0.6	0.7
Provincial direct and guaranteed, excluding railways	4,105	3,024	1,021	45	15	73.7	24.9	1.1	0.3
Municipal	2,498	1,946	511	35	6	77.9	20.5	1.4	0.2
Sub-total Government bonds	**19,489**	**17,355**	**1,871**	**152**	**111**	**89.0**	**9.6**	**0.8**	**0.6**
Steam railways	1,371	863	185	297	26	62.9	13.5	21.7	1.9
Other corporations	5,304	3,817	1,238	165	84	72.0	23.3	3.1	1.6
Sub-total steam railways and corporation bonds	**6,675**	**4,680**	**1,423**	**462**	**110**	**70.1**	**21.3**	**6.9**	**1.7**
Total bonds and debentures	**26,164**	**22,035**	**3,294**	**614**	**221**	**84.2**	**12.6**	**2.4**	**0.8**

STATEMENT 23. Changes in Ownership of Canadian Long-Term Funded Debt, 1953-1956

(Millions of dollars)

Debtor	Change in Amounts Outstanding				Change in Amounts Outstanding Owned in							
					Canada				Other Countries			
	1953	1954	1955	1956	1953	1954	1955	1956	1953	1954	1955	1956
Government of Canada, direct and guaranteed, excluding railways, treasury bills and notes	450	— 789	425	— 519	564	— 704	545	— 481	—114	— 85	—120	— 38
Provincial, direct and guaranteed, excluding railways	272	255	212	466	158	221	288	273	114	34	— 76	193
Municipal	234	306	248	288	175	286	230	187	59	20	18	101
Steam railways	— 23	427	— 83	— 91	2	442	— 17	— 61	— 25	— 15	— 66	— 30
Other corporations	415	465	456	880	234	383	396	615	181	82	60	265
Sub-total provincial, municipal, steam railways and other corporations	**898**	**1,453**	**833**	**1,543**	**569**	**1,332**	**897**	**1,014**	**329**	**121**	**— 64**	**529**
Total bonds and debentures	**1,348**	**664**	**1,258**	**1,024**	**1,133**	**628**	**1,442**	**533**	**215**	**36**	**—184**	**491**

had the effect of moderating the upward pressure on interest rates in the securities market in a year when the financial requirements of the investment boom and the intensification of general economic activity led to a strong and continuous growth in the demand for credit.

Although non-resident investors have been disposing of Government of Canada debt for some years past, there have been wide swings in the total held by Canadian residents. The significance of the changes has also varied. For example, sharp declines in the total outstanding occurred in both 1954 and 1956, although offset in part in the earlier year by an increase in borrowing from the public by the Canadian National Railways which was used to repay Government advances. But in contrast to last year, 1954 was a year in which investment demand fell, and monetary and credit conditions were characterized by a noticeable decline in interest rates, by a rise in security prices, and by a generally easier availability of credit in Canada. These conditions considerably facilitated capital and consumer expenditures financed by borrowing or by converting securities into cash, and brought about a substantial increase in the bank deposits and currency holdings of the general public. The chartered banks added substantially to their portfolio of Government securities in 1954 but their holdings of other Canadian securities, mortgages, and loans in Canada increased only slightly.

Turning to changes in the ownership of outstanding funded debt of other borrowers it will be noted that in 1956 non-resident investment accounted for $529 million, or slightly more than one-third of the increase of $1,543 million. This proportion was exceeded in 1953, but in that year the Government of Canada was also a substantial borrower from residents and the overall proportion of the increase in funded debt supplied by non-residents was smaller. Foreign investment financed 41 per cent of the increase in provincial debt, 35 per cent of the increase in municipal debt, and 30 per cent of the increase in corporate debt.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1955 and 1956
(Millions of dollars)

	Account	All Countries		United States		United Kingdom		Other Sterling Area		Other OEEC Countries		All Other Countries	
		1955	1956[1]	1955	1956[1]	1955	1956[1]	1955	1956[1]	1955	1956[1]	1955	1956
	Current Receipts:												
1	Merchandise exports (adjusted)	4,332	4,833	2,598	2,850	772	818	254	256	379	470	329	439
2	Mutual Aid to NATO Countries	222	157	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	155	150	155	150	—	—	—	—	—	—	—	—
4	Travel expenditures	328	336	303	308	13	14	4	4	5	6	3	4
5	Interest and dividends	160	140	78	75	41	20	21	21	13	11	7	13
6	Freight and shipping	398	450	203	220	97	98	27	29	39	58	32	45
7	Inheritances and immigrants' funds	86	98	45	45	20	23	4	5	13	18	4	7
1	All other current receipts	391	430	318	350	39	41	8	8	15	17	11	14
2	**Total Current Receipts**	**6,072**	**6,594**	**3,700**	**3,998**	**982**	**1,014**	**318**	**323**	**464**	**580**	**386**	**522**
	Current Payments:												
1	Merchandise imports (adjusted)	4,543	5,567	3,283	4,023	406	493	211	220	229	320	414	511
4	Travel expenditures	449	498	363	391	40	46	8	8	32	41	6	12
5	Interest and dividends	483	530	388	433	75	72	1	1	17	22	2	2
3	Freight and shipping	415	498	287	350	49	58	3	3	64	73	12	14
1	Inheritances and emigrants' funds	105	112	82	91	16	14	1	1	4	4	2	2
	Official contributions	24	30	—	—	—	—	22	28	1	1	1	1
	Mutual Aid to NATO Countries	222	157	—	—	—	—	—	—	—	—	—	—
	All other current payments	529	574	332	350	66	77	12	12	93	107	26	28
	Total Current Payments	**6,770**	**7,966**	**4,735**	**5,638**	**652**	**760**	**258**	**273**	**440**	**568**	**463**	**570**
	Balance on Merchandise Trade	- 211	- 734	- 685	-1,173	+ 366	+ 325	+ 43	+ 36	+ 150	+ 150	- 85	- 72
	Balance on Other Transactions, excluding B9	- 463	- 608	- 350	- 467	- 36	- 71	+ 39	+ 42	- 125	- 137	+ 9	+ 25
	Official contributions	- 24	- 30	—	—	—	—	- 22	- 28	- 1	- 1	- 1	- 1
	Current Account Balance	**- 698**	**-1,372**	**-1,035**	**-1,640**	**+ 330**	**+ 254**	**+ 60**	**+ 50**	**+ 24**	**+ 12**	**- 77**	**- 48**
	Capital Account:												
	Direct Investment:												
	Direct investment in Canada	+ 417	+ 595	+ 306	+ 409	+ 68	+ 113	—	+ 1	+ 43	+ 72	—	—
	Direct investment abroad	- 74	- 110	- 56	- 77	- 1	- 3	- 8	- 24	—	+ 2	- 9	- 8
	Canadian Securities:												
	Trade in outstanding issues	- 27	+ 207	- 67	+ 41	+ 26	+ 83	—	—	+ 16	+ 86	- 2	- 3
	New issues	+ 166	+ 681	+ 127	+ 616	+ 15	+ 29	—	—	+ 21	+ 36	+ 3	—
	Retirements	- 184	- 140	- 169	- 133	- 11	- 1	—	—	- 3	- 4	- 1	- 2
	Foreign Securities:												
	Trade in outstanding issues	+ 25	+ 27	+ 31	+ 22	- 9	+ 3	—	—	+ 3	+ 2	—	—
	New issues	- 48	- 15	- 8	- 11	- 2	—	19	—	—	—	- 19	- 4
	Retirements	+ 17	—	+ 2	—	—	—	—	—	—	—	+ 15	—
	Loans by Government of Canada:												
	Repayment of post-war loans	+ 39	+ 39	—	—	+ 15	+ 15	—	—	+ 15	+ 18	+ 9	+ 6
	Repayment of war loans	+ 30	+ 30	—	—	+ 30	+ 30	—	—	—	—	—	—
	Change in Canadian dollar holdings of foreigners	+ 89	- 26	+ 66	- 49	+ 9	+ 15	+ 2	- 2	+ 12	+ 3	—	+ 7
	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	+ 44	- 33	+ 42	- 34	+ 2	+ 1	—	—	—	—	—	—
	Other capital movements	+ 204	+ 117	+ 151	+ 152	+ 57	+ 9	+ 3	- 4	+ 6	- 1	- 13	- 39
	Net Capital Movement	**+ 698**	**+1,372**	**+ 425**	**+ 936**	**+ 199**	**+ 294**	**- 22**	**- 29**	**+ 113**	**+ 214**	**- 17**	**- 43**
	Balance Settled by Exchange Transfers	—	—	**+ 610**	**+ 704**	**- 529**	**- 548**	**- 38**	**- 21**	**- 137**	**- 226**	**+ 94**	**+ 91**
	Total Financing of Current Account Balance (item C)	**+ 698**	**+1,372**	**+1,035**	**+1,640**	**- 330**	**- 254**	**- 60**	**- 50**	**- 24**	**- 12**	**+ 77**	**+ 48**

ther Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area: Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey, and verseas territories. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in the IBRD, IFC and IMF and all other countries not specified above.
Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.
A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.
Also includes balancing item representing unrecorded capital movements and errors and omissions.
Subject to revision.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1956

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
A	**Current Receipts:**											
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,83
2	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222	15
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	15
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	33
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	14
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	45
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	9
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	43
12	**Total Current Receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,072**	**6,5**
B	**Current Payments:**											
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,56
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	49
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	53
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	49
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	11
9	Official contributions	97	38	23	6	5	9	16	25	11	24	3
10	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222	15
11	All other current payments	382	295	287	315	377	423	405	465	479	529	57
12	**Total Current Payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,770**	**7,9**
	Balance on Merchandise Trade	+ 571	+ 188	+ 432	+ 293	+ 10	- 147	+ 489	- 58	+ 13	- 211	- 73
	Balance on Other Transactions, excluding B9	- 111	- 101	+ 42	- 110	- 339	- 361	- 309	- 360	- 434	- 463	- 60
	Official Contributions	- 97	- 38	- 23	- 6	- 5	- 9	- 16	- 25	- 11	- 24	- 3
C	**Current Account Balance**	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**- 334**	**- 517**	**+ 164**	**- 443**	**- 432**	**- 698**	**- 1,3**
D	**Capital Account:**											
	Direct Investment:											
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 417	+ 5
2	Direct investment abroad	- 14	+ 6	+ 15	+ 13	+ 36	- 20	- 77	- 63	- 81	- 74	- 1
	Canadian Securities:											
3	Trade in outstanding issues	+ 194	- 13	+ 3	+ 8	+ 329	+ 38	- 94	- 31	+ 63	- 27	+ 2
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166	+ 6
5	Retirements	- 539	- 364	- 114	- 147	- 284	- 184	- 89	- 146	- 203	- 184	- 1
	Foreign Securities:											
6	Trade in outstanding issues	+ 25	+ 1	- 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 20	- 23	- 33	- 48	-
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	
	Loans by Government of Canada:											
9	Drawings	- 750	- 565	- 142	- 120	- 50	—	—	—	—	—	
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+
14	Change in Canadian dollar holdings of foreigners	+ 70	- 26	- 21	+ 40	+ 233	- 192	- 66	- 18	+ 34	+ 89	-
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	- 492	- 128	- 722	- 56	- 37	+ 38	- 124	+ 44	-
17	Other capital movements	+ 23	- 101	+ 7	- 80	+ 210	+ 128	- 511	- 185	- 28	+ 204	+
E	**Net Capital Movement**	**- 363**	**- 49**	**- 451**	**- 177**	**+ 334**	**+ 517**	**- 164**	**+ 443**	**+ 432**	**+ 698**	**+ 1,**

Notes:

AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.

D 17 Includes for years 1946 to 1950 transactions shown separately under items D 12, 13, and 15 in the Canadian Balance of International Payments in the P. War Years, 1946-1952.

A-G For other notes applicable to this Table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1956

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956[1]
Current Receipts:											
Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,850
Gold production available for export	96	99	119	139	163	150	150	144	155	155	150
Travel expenditures	216	241	267	267	260	258	257	282	283	303	308
Interest and dividends	47	36	37	40	50	57	85	101	69	78	75
Freight and shipping	101	104	131	126	157	164	174	164	169	203	220
Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45
All other current receipts	140	153	167	158	170	191	224	253	233	318	350
Total Current Receipts	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**3,998**
Current Payments:											
Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,023
Travel expenditures	130	152	113	165	193	246	294	307	320	363	391
Interest and dividends	250	274	267	325	411	382	344	334	345	388	433
Freight and shipping	169	221	213	193	240	276	302	296	261	287	350
Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	91
All other current payments	216	211	213	244	293	328	289	290	312	332	350
Total Current Payments	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,638**
Balance on Merchandise Trade	- 430	- 890	- 289	- 378	- 47	- 516	- 471	- 588	- 445	- 685	- 1,173
Balance on Other Transactions	- 177	- 244	- 104	- 223	- 353	- 435	- 378	- 316	- 362	- 350	- 467
Current Account Balance	**- 607**	**-1,134**	**- 393**	**- 601**	**- 400**	**- 951**	**- 849**	**- 904**	**- 807**	**- 1,035**	**- 1,640**
Capital Account:											
Direct Investment:											
Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306	+ 409
Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 46	- 56	- 77
Canadian Securities:											
Trade in outstanding issues	+ 241	- 3	+ 5	+ 25	+ 362	+ 20	- 104	- 80	—	- 67	+ 41
New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127	+ 616
Retirements	- 460	- 313	- 96	- 136	- 263	- 159	- 75	- 132	- 184	- 169	- 133
Foreign Securities:											
Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 22
New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3	- 8	- 11
Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—
Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 19	+ 66	- 49
Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	- 496	- 134	- 694	- 39	- 80	+ 42	- 121	+ 42	- 34
Other capital movements	—	- 76	+ 1	- 38	+ 249	+ 59	- 458	- 223	+ 18	+ 151	+ 152
Net Capital Movement	**+ 331**	**+ 505**	**- 385**	**- 70**	**+ 267**	**+ 515**	**- 158**	**+ 244**	**+ 277**	**+ 425**	**+ 936**
Balance Settled by Exchange Transfers	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+ 1,007**	**+ 660**	**+ 530**	**+ 610**	**+ 704**
Total Financing of Current Account Balance (item C)	**+ 607**	**+1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 807**	**+ 1,035**	**+ 1,640**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1956

(Millions of dollars)

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	195
	C. BETWEEN CANADA AND THE UNITED KINGDOM											
A	**Current Receipts:**											
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	
12	**Total Current Receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,**
B	**Current Payments:**											
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	
11	All other current payments	110	50	46	37	48	51	50	92	67	66	
12	**Total Current Payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	
	Balance on Merchandise Trade	+ 488	+ 567	+ 416	+ 401	+ 70	+ 219	+ 377	+ 193	+ 269	+ 366	+
	Balance on Other Transactions	+ 12	+ 66	+ 70	+ 45	- 46	+ 4	+ 11	- 60	- 40	- 36	-
C	**Current Account Balance**	**+ 500**	**+ 633**	**+ 486**	**+ 446**	**+ 24**	**+ 223**	**+ 388**	**+ 133**	**+ 229**	**+ 330**	+
	D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES											
A	**Current Receipts:**											
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4	4	
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	
12	**Total Current Receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	
B	**Current Payments:**											
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	
5	Interest and dividends	1	1	1	1	—	—	—	—	—	1	
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1	1	
9	Official contributions	5	—	—	—	—	—	15	18	8	22	
11	All other current payments	3	5	4	6	4	4	6	10	9	12	
12	**Total Current Payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	
	Balance on Merchandise Trade	+ 140	+ 206	+ 101	+ 113	- 43	- 45	+ 108	+ 79	+ 23	+ 43	+
	Balance on Other Transactions, excluding B 9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 9	+ 39	+
	Official Contributions	- 5	—	—	—	—	—	- 15	- 18	- 8	- 22	-
C	**Current Account Balance**	**+ 164**	**+ 242**	**+ 129**	**+ 135**	**- 23**	**- 24**	**+ 114**	**+ 83**	**+ 44**	**+ 60**	-

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1956

(Millions of dollars)

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
	Current Account Balance	+ 664	+ 875	+ 615	+ 581	+ 1	+ 199	+ 502	+ 216	+ 273	+ 390	+ 304
	Capital Account:											
	Direct Investment:											
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 114
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23	- 9	- 27
	Canadian Securities:											
3	Trade in outstanding issues	- 48	- 11	- 4	- 16	- 35	- 16	- 3	+ 27	+ 21	+ 26	+ 83
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 29
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 17	- 11	- 1
	Foreign Securities:											
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	- 9	+ 3
7	New issues	—	—	—	—	—	—	—	—	- 1	- 21	—
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—
	Loans by Government of Canada:											
9	Drawings	- 540	- 423	- 52	- 120	- 50	—	—	—	—	—	—
0	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15
1	Repayment of war loans	+ 89	+ 104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30
2	Change in Canadian dollar holdings of foreigners	+ 32	- 4	- 20	+ 62	+ 116	- 128	- 22	- 17	+ 6	+ 11	+ 13
3	Change in official holding of sterling (increase, minus)	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3	+ 2	+ 1
7	Other capital movements	+ 39	+ 16	+ 18	- 27	- 39	+ 82	- 62	+ 37	- 32	+ 60	+ 5
	Net Capital Movement	- 491	- 357	+ 7	- 87	+ 13	- 23	- 16	+ 129	+ 94	+ 177	+ 265
	Balance Settled by Exchange Transfers:											
	Official settlements	- 150	- 505	- 597	- 466	+ 4	- 165	- 486	- 345	- 367	- 567	- 569
	Private settlements	- 23	- 13	- 25	- 28	- 18	- 11					
	Total Financing of Current Account Balance (item C)	- 664	- 875	- 615	- 581	- 1	- 199	- 502	- 216	- 273	- 390	- 304

1. Subject to revision.

TABLE III Current Account Between Canada and All Countries, 1926-1956

(Millions of dollars)

Year	Current Receipts[1]	Current Payments[2]	Net Balance Including Mutual Aid Exports	Wartime Grants and Mutual Aid	Net Balance on Current Account Indicating Net Movement of Capital
	1,665	1,538	+ 127	—	+ 127
	1,633	1,643	- 10	—	- 10
	1,788	1,820	- 32	—	- 32
	1,646	1,957	- 311	—	- 311
	1,297	1,634	- 337	—	- 337
	972	1,146	- 174	—	- 174
	808	904	- 96	—	- 96
	829	831	- 2	—	- 2
	1,020	952	+ 68	—	+ 68
	1,145	1,020	+ 125	—	+ 125
	1,430	1,186	+ 244	—	+ 244
	1,593	1,413	+ 180	—	+ 180
	1,361	1,261	+ 100	—	+ 100
	1,457	1,331	+ 126	—	+ 126
	1,776	1,627	+ 149	—	+ 149
	2,458	1,967	+ 491	—	+ 491
	3,376	2,275	+ 1,101	- 1,002	+ 99
	4,064	2,858	+ 1,206	- 518	+ 688
	4,557	3,539	+ 1,018	- 960	+ 58
	4,456	2,910	+ 1,546	- 858	+ 688
	3,365	2,905	+ 460	- 97	+ 363
	3,748	3,699	+ 49	—	+ 49
	4,147	3,696	+ 451	—	+ 451
	4,089	3,912	+ 177	—	+ 177
	4,297	4,574	- 277	- 57	- 334
	5,311	5,683	- 372	- 145	- 517
	5,858	5,494	+ 364	- 200	+ 164
	5,737	5,934	- 197	- 246	- 443
	5,520	5,668	- 148	- 284	- 432
	6,072	6,548	- 476	- 222	- 698
	6,594	7,809	- 1,215	- 157	- 1,372

Including Mutual Aid exports.
Excluding Mutual Aid offsets.
Subject to revision.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1954-1956

(Millions of dollars)

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1954				1955				1956[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	872	993	1,002	1,062	967	1,098	1,127	1,140	1,051	1,263	1,246	1,2
3	Gold production available for export	35	43	39	38	39	39	37	40	37	40	38	
4	Travel expenditures	24	59	172	50	26	66	182	54	26	65	191	
5	Interest and dividends	24	33	23	67	26	32	27	75	35	39	25	
6	Freight and shipping	70	78	83	82	82	100	108	108	102	115	117	1
7	Inheritances and immigrants' funds	18	28	24	19	16	25	24	21	17	28	26	
11	All other current receipts	65	72	81	80	77	105	105	104	91	112	108	1
12	**Total Current Receipts**	**1,108**	**1,306**	**1,424**	**1,398**	**1,233**	**1,465**	**1,610**	**1,542**	**1,359**	**1,662**	**1,751**	**1,6**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	923	1,068	941	984	971	1,150	1,163	1,259	1,242	1,541	1,350	1,-
4	Travel expenditures	65	102	134	88	78	119	156	96	93	133	169	1
5	Interest and dividends	88	94	85	156	131	99	91	162	112	116	121	1
6	Freight and shipping	70	93	99	94	78	108	113	116	99	134	131	
7	Inheritances and emigrants' funds	21	23	25	25	21	23	30	31	25	28	29	
9	Official contributions	4	2	2	3	5	4	8	7	9	10	5	
11	All other current payments	114	119	118	128	134	125	134	136	142	135	150	
12	**Total Current Payments**	**1,285**	**1,501**	**1,404**	**1,478**	**1,418**	**1,628**	**1,695**	**1,807**	**1,722**	**2,097**	**1,955**	**2,**
	Balance on Merchandise Trade	- 51	- 75	+ 61	+ 78	- 4	- 52	- 36	- 119	- 191	- 278	- 104	-
	Balance on Other Transactions, excluding B9	- 122	- 118	- 39	- 155	- 176	- 107	- 41	- 139	- 163	- 147	- 95	-
	Official Contributions	- 4	- 2	- 2	- 3	- 5	- 4	- 8	- 7	- 9	- 10	- 5	-
C	**Current Account Balance**	**- 177**	**- 195**	**+ 20**	**- 80**	**- 185**	**- 163**	**- 85**	**- 265**	**- 363**	**- 435**	**- 204**	**-**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 93	+ 98	+ 77	+ 124	+ 85	+ 115	+ 104	+ 113	+ 121	+ 169	+ 120	+
2	Direct investment abroad	- 11	- 18	- 30	- 22	- 11	- 12	- 12	- 39	- 66	- 5	- 24	-
	Canadian Securities:												
3	Trade in outstanding issues	+ 16	+ 28	+ 1	+ 18	- 33	+ 5	- 24	+ 25	+ 77	+ 43	+ 70	+
4	New issues	+ 177	+ 93	+ 36	+ 25	+ 109	+ 27	+ 17	+ 13	+ 111	+ 181	+ 178	+
5	Retirements	- 26	- 76	- 47	- 54	- 86	- 61	- 19	- 18	- 71	- 23	- 24	-
	Foreign Securities:												
6	Trade in outstanding issues	+ 4	+ 9	- 1	- 5	+ 14	- 6	+ 6	+ 11	- 16	+ 10	+ 10	+
7	New issues	- 2	- 26	- 3	- 2	- 5	- 17	- 4	- 22	- 1	- 5	- 3	-
8	Retirements	—	—	—	+ 2	+ 3	—	+ 14	—	—	—	—	
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 2	+ 11	+ 3	+ 26	—	+ 10	+ 2	+ 27	—	+ 13	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+
14	Change in Canadian dollar holdings of foreigners	- 17	+ 13	+ 10	+ 28	+ 30	+ 39	+ 6	+ 14	- 23	- 5	- 3	+
16	Change in official holdings of gold and foreign exchange (increase, minus)	- 4	- 37	- 38	- 45	+ 71	- 56	- 7	+ 36	+ 29	- 30	- 5	-
17	Other capital movements	- 62	+ 92	- 35	- 23	+ 1	+ 111	- 5	+ 97	+ 195	+ 79	- 122	-
E	**Net Capital Movement**	**+ 177**	**+ 195**	**- 20**	**+ 80**	**+ 185**	**+ 163**	**+ 85**	**+ 265**	**+ 363**	**+ 435**	**+ 204**	+

Notes:

Quarterly totals in the account with all countries will not add to annual totals in Table I and Table II A since Mutual Aid to NATO countries is distributed by quarters.

A-G For other notes applicable to this Table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1954-1956

(Millions of dollars)

B. BETWEEN CANADA AND THE UNITED STATES

Account	1954				1955				1956[1]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Current Receipts:												
Merchandise exports (adjusted)	543	595	597	620	580	647	670	701	639	721	732	758
Gold production available for export	35	43	39	38	39	39	37	40	37	40	38	35
Travel expenditures	22	52	164	45	24	58	172	49	24	56	181	47
Interest and dividends	13	15	19	22	13	19	19	27	20	19	17	19
Freight and shipping	36	41	47	45	41	50	55	57	48	56	59	57
Inheritances and immigrants' funds	8	12	12	10	8	12	14	11	9	12	12	12
All other current receipts	50	54	64	65	61	86	84	87	73	91	89	97
Total Current Receipts	707	812	942	845	766	911	1,051	972	850	995	1,128	1,025
Current Payments:												
Merchandise imports (adjusted)	679	767	654	700	723	836	826	898	932	1,118	936	1,037
Travel expenditures	55	83	110	72	66	99	122	76	75	104	132	80
Interest and dividends	69	78	64	134	104	82	69	133	84	98	98	153
Freight and shipping	48	70	74	69	52	76	79	80	66	94	95	95
Inheritances and emigrants' funds	18	18	20	19	17	17	23	25	22	22	23	24
All other current payments	74	81	77	80	81	81	83	87	85	86	90	89
Total Current Payments	943	1,097	999	1,074	1,043	1,191	1,202	1,299	1,264	1,522	1,374	1,478
Current Account Balance	- 236	- 285	- 57	- 229	- 277	- 280	- 151	- 327	- 414	- 527	- 246	- 453
Capital Account:												
Direct Investment:												
Direct investment in Canada	+ 77	+ 79	+ 55	+ 77	+ 49	+ 95	+ 80	+ 82	+ 85	+ 97	+ 78	+ 149
Direct investment abroad	- 6	- 14	- 11	- 15	- 7	- 10	- 6	- 33	- 58	+ 5	- 16	- 8
Canadian Securities:												
Trade in outstanding issues	+ 3	+ 8	- 16	+ 5	- 43	- 8	- 36	+ 20	+ 55	+ 5	+ 10	- 29
New issues	+ 172	+ 82	+ 29	+ 16	+ 96	+ 10	+ 10	+ 11	+ 106	+ 165	+ 165	+ 180
Retirements	- 17	- 72	- 43	- 52	- 84	- 55	- 13	- 17	- 67	- 22	- 23	- 21
Foreign Securities:												
Trade in outstanding issues	+ 4	+ 9	- 2	- 5	+ 14	+ 2	+ 8	+ 7	- 17	+ 9	+ 8	+ 22
New issues	—	—	- 2	- 1	- 4	- 1	- 2	- 1	—	- 4	- 3	- 4
Retirements	—	—	—	+ 1	+ 2	—	—	—	—	—	—	—
Change in Canadian dollar holdings of foreigners	- 3	+ 12	- 2	+ 12	+ 11	+ 40	+ 2	+ 13	- 38	- 6	+ 9	- 14
Change in official holdings of gold and U.S. dollars (increase, minus)	- 8	- 36	- 35	- 42	+ 70	- 58	- 6	+ 36	+ 29	- 27	- 4	- 32
Other capital movements	- 54	+ 91	- 24	+ 5	+ 64	+ 56	- 54	+ 85	+ 192	+ 81	- 99	- 22
Net Capital Movement	+ 168	+ 159	- 51	+ 1	+ 168	+ 71	- 17	+ 203	+ 287	+ 303	+ 125	+ 221
Balance Settled by Exchange Transfers	+ 68	+ 126	+ 108	+ 228	+ 109	+ 209	+ 168	+ 124	+ 127	+ 224	+ 121	+ 232
Total Financing of Current Account Balance (item C)	+ 236	+ 285	+ 57	+ 229	+ 277	+ 280	+ 151	+ 327	+ 414	+ 527	+ 246	+ 453

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1954-1956

(Millions of dollars)

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1954				1955				1956[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	134	153	180	193	183	201	199	189	180	199	220	21
4	Travel expenditures	1	4	5	3	1	4	5	3	1	5	5	
5	Interest and dividends	1	2	1	31	3	2	2	34	8	3	2	
6	Freight and shipping	18	18	19	18	21	24	26	26	24	25	25	2
7	Inheritances and immigrants' funds	4	6	5	4	4	6	5	5	4	6	7	
11	All other current receipts	8	10	10	8	8	11	11	9	10	10	10	1
12	**Total Current Receipts**	**166**	**193**	**220**	**257**	**220**	**248**	**248**	**266**	**227**	**248**	**269**	**27**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	96	110	93	92	88	99	111	108	97	149	128	11
4	Travel expenditures	4	11	12	8	5	11	14	10	6	14	16	1
5	Interest and dividends	16	13	17	16	23	13	18	21	23	12	18	1
6	Freight and shipping	9	10	10	10	10	11	14	14	12	16	14	1
7	Inheritances and emigrants' funds	2	4	3	4	3	4	5	4	2	4	4	
11	All other current payments	16	15	17	19	20	11	18	17	19	18	20	2
12	**Total Current Payments**	**143**	**163**	**152**	**149**	**149**	**149**	**180**	**174**	**159**	**213**	**200**	**1**
C	**Current Account Balance**	**+ 23**	**+ 30**	**+ 68**	**+ 108**	**+ 71**	**+ 99**	**+ 68**	**+ 92**	**+ 68**	**+ 35**	**+ 69**	**+**
D	**Capital Account:**												
	Direct Investment:												
1	Direct investment in Canada	+ 12	+ 13	+ 17	+ 33	+ 21	+ 14	+ 15	+ 18	+ 11	+ 46	+ 33	+
2	Direct investment abroad	—	—	- 14	- 2	—	—	- 1	—	- 1	—	- 1	-
	Canadian Securities:												
3	Trade in outstanding issues	+ 9	+ 2	—	+ 10	+ 10	+ 2	+ 9	+ 5	+ 4	+ 19	+ 37	+
4	New issues	+ 3	+ 4	+ 6	+ 7	+ 9	+ 3	+ 2	+ 1	+ 4	+ 10	+ 9	+
5	Retirements	- 7	- 2	- 2	- 1	- 2	- 4	- 5	—	—	- 1	—	
	Foreign Securities:												
6	Trade in outstanding issues	—	+ 1	+ 1	—	—	- 9	- 2	+ 2	+ 1	—	+ 2	
7	New issues	—	- 1	—	—	—	—	- 2	—	—	—	—	
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 15	—	—	—	+ 15	—	—	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+
14	Change in Canadian dollar holdings of foreigners	- 8	- 4	+ 7	+ 15	+ 19	- 17	+ 3	+ 4	+ 13	+ 4	- 14	+
16	Change in official holdings of sterling (increase, minus)	+ 4	- 1	- 3	- 3	+ 1	+ 2	- 1	—	—	- 3	- 1	+
17	Other capital movements	- 3	- 10	+ 7	- 24	- 62	+ 40	+ 68	+ 11	+ 6	+ 2	- 1	+
E	**Net Capital Movement**	**+ 17**	**+ 10**	**+ 26**	**+ 58**	**+ 3**	**+ 39**	**+ 93**	**+ 64**	**+ 45**	**+ 85**	**+ 71**	**+**
G	**Balance Settled by Exchange Transfers**	**- 40**	**- 40**	**- 94**	**- 166**	**- 74**	**- 138**	**- 161**	**- 156**	**- 113**	**- 120**	**- 140**	**-**
	Total Financing of Current Account Balance (item C)	**- 23**	**- 30**	**- 68**	**- 108**	**- 71**	**- 99**	**- 68**	**- 92**	**- 68**	**- 35**	**- 69**	**-**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1954-1956

(Millions of dollars)

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1954 I	1954 II	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 IV	1956[1] I	1956[1] II	1956[1] III	1956[1] IV
	Rest of the Sterling Area:												
A 1	Merchandise exports	39	58	53	56	55	65	76	58	59	75	60	62
	Other current receipts	15	12	10	12	16	14	16	18	15	18	15	19
12	Total Current Receipts	54	70	63	68	71	79	92	76	74	93	75	81
B 1	Merchandise imports	30	52	53	48	38	57	58	58	40	57	64	59
	Other current payments	9	6	4	9	11	9	14	13	15	17	10	11
12	Total Current Payments	39	58	57	57	49	66	72	71	55	74	74	70
C	**Current Account Balance**	+ 15	+ 12	+ 6	+ 11	+ 22	+ 13	+ 20	+ 5	+ 19	+ 19	+ 1	+ 11
	Non-Sterling Area Overseas Countries:												
A 1	Merchandise exports	156	187	172	193	149	185	182	192	173	268	234	234
	Other current receipts	25	44	27	35	27	42	37	36	35	58	45	55
12	Total Current Receipts	181	231	199	228	176	227	219	228	208	326	279	289
B 1	Merchandise imports	118	139	141	144	122	158	168	195	173	217	222	219
	Other current payments	42	44	55	54	55	64	73	68	71	71	85	80
12	Total Current Payments	160	183	196	198	177	222	241	263	244	288	307	299
C	**Current Account Balance**	+ 21	+ 48	+ 3	+ 30	- 1	+ 5	- 22	- 35	- 36	+ 38	- 28	- 10
	Current Account Balance with above Areas	+ 36	+ 60	+ 9	+ 41	+ 21	+ 18	- 2	- 30	- 17	+ 57	- 27	+ 1
	Capital Account:												
	Direct Investment:												
1	Direct investment in Canada	+ 4	+ 6	+ 5	+ 14	+ 15	+ 6	+ 9	+ 13	+ 25	+ 26	+ 9	+ 13
2	Direct investment abroad	- 5	- 4	- 5	- 5	- 4	- 2	- 5	- 6	- 7	- 10	- 7	- 6
	Canadian Securities:												
3	Trade in outstanding issues	+ 4	+ 18	+ 17	+ 3	—	+ 11	+ 3	—	+ 18	+ 19	+ 23	+ 23
4	New issues	+ 2	+ 7	+ 1	+ 2	+ 4	+ 14	+ 5	+ 1	+ 1	+ 6	+ 4	+ 25
5	Retirements	- 2	- 2	- 2	- 1	—	- 2	- 1	- 1	- 4	—	- 1	- 1
	Foreign Securities:												
6	Trade in outstanding issues	—	- 1	—	—	—	+ 1	—	+ 2	—	+ 1	—	+ 1
7	New issues	- 2	- 25	- 1	- 1	- 1	- 16	—	- 21	- 1	- 1	—	- 2
8	Retirements	—	—	—	+ 1	+ 1	—	+ 14	—	—	—	—	—
10	Repayment of post-war loans by Government of Canada	+ 2	+ 11	+ 3	+ 11	—	+ 10	+ 2	+ 12	—	+ 13	—	+ 11
14	Change in Canadian dollar holdings of foreigners	- 6	+ 5	+ 5	+ 1	—	+ 16	+ 1	- 3	+ 2	- 3	+ 2	+ 7
17	Other capital movements	- 5	+ 11	- 18	- 4	- 1	+ 15	- 19	+ 1	- 3	- 4	- 22	- 15
	Net Capital Movement	- 8	+ 26	+ 5	+ 21	+ 14	+ 53	+ 9	- 2	+ 31	+ 47	+ 8	+ 56
	Balance Settled by Exchange Transfers	- 28	- 86	- 14	- 62	- 35	- 71	- 7	+ 32	- 14	- 104	+ 19	- 57
	Total Financing of Current Account Balance (item C)	- 36	- 60	- 9	- 41	- 21	- 18	+ 2	+ 30	+ 17	- 57	+ 27	- 1

1. Subject to revision.

TABLE V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1956

(exclusive of short-term commercial indebtedness and blocked currencies)

(Billions of dollars)

Item	1926	1930	1933	1939	1945	1947	1948	1949	1950	1951	1952	1953	1954	1955	19
Canadian Liabilities (Foreign Capital Invested in Canada):															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.0	3.3	3.6	4.0	4.5	5.2	6.0	6.8	7.7	8.
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.5	1.6	1.8	2.0	2.1	2.0	2.1	2.1	1.9	2.
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.1	3.1	3.
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	—	—	—	0.1	0.2	0.
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4[4]	0.5	0.6	0.6	0.
Total non-resident long-term investment in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**7.2**	**7.5**	**8.0**	**8.7**	**9.5**	**10.4**	**11.5**	**12.6**	**13.5**	**15.**
Equity of non-residents in Canadian assets abroad	2	2	2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.
Canadian dollar holdings of non-residents	2	2	2	0.3	0.3	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4	0.
Canadian short-term assets of IMF and IBRD	—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.
Gross Liabilities	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.1**	**8.4**	**8.9**	**9.9**	**10.6**	**11.4**	**12.6**	**13.7**	**14.8**	**16.**
United States	3.5	4.9	4.7	4.5	5.4	5.7	6.0	6.4	7.1	7.9	8.5	9.5	10.3	11.1	12.
United Kingdom	2.7	2.9	2.8	2.6	1.8	1.7	1.7	1.8	2.0	1.9	2.0	2.2	2.3	2.5	2.
Other countries, IMF and IBRD	0.2	0.2	0.2	0.3	0.4	0.7	0.7	0.7	0.8	0.8	0.9	1.0	1.0	1.2	1.
Canadian Assets (Canadian Capital Invested Abroad):															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.8	0.8	0.9	1.0	1.2	1.3	1.5	1.6	1.8	1.
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.8[4]	0.9	0.9	1.0	1.
Government of Canada loans and advances VII	—	—	—	—	0.7	1.8	1.9	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.
Government of Canada subscriptions to IMF and IBRD	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.
Total Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**3.6**	**3.6**	**4.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**	**4.8**	**4.**
Government of Canada holdings of gold and foreign exchange VI	2	2	2	0.5	1.7	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.
Other Canadian short-term assets abroad	3	3	3	—	0.1	—	—	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.
Gross Assets	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**4.1**	**4.7**	**5.2**	**5.9**	**6.0**	**6.4**	**6.6**	**6.9**	**7.0**	**7.**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.
United States[1]	0.7	0.9	0.8	0.9	0.9	0.8	0.8	1.1	1.1	1.4	1.7	2.0	2.1	2.2	2.
United Kingdom[1]	0.1	0.1	—	0.1	0.7	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.
Other countries, IMF and IBRD	0.5	0.5	0.6	0.4	0.5	1.3	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.
Canadian Net International Indebtedness:															
Net Liabilities	**5.1**	**6.5**	**6.3**	**5.5**	**3.9**	**4.0**	**3.7**	**3.7**	**4.0**	**4.6**	**5.0**	**6.0**	**6.8**	**7.8**	**9.**
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-0.5	-1.0	-1.2	-1.9	-1.8	-1.8	-1.8	-1.9	-1.9	-1.
United States[1]	2.8	4.0	3.9	3.6	4.6	4.9	5.2	5.3	6.0	6.5	6.8	7.5	8.2	8.9	9.
United Kingdom[1]	2.6	2.8	2.8	2.5	1.1	0.2	0.2	0.2	0.4	0.4	0.5	0.7	0.9	1.0	1
Other countries, IMF and IBRD	-0.3	-0.3	-0.4	-0.1	-0.1	-0.6	-0.7	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.2	-

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further detail pears.

1. Exclusive of Government of Canada holdings of gold and foreign exchange.
2. Not available.
3. Not available; net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
4. New series not strictly comparable with earlier years.
5. Preliminary estimate.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada. Investments in exploration and development of pet leum by companies engaged in refining and production of petroleum products are therefore included in the manufacturing group.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of ot countries.

A dash (—) means "nil" or less than $0.5 million.

For more detailed treatment see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars[1], 1950-1956

(Millions of U.S. dollars)

At end of	1950	1951	1952	1953	1954	1955	1956
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936

1. Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Governm accounts and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad[1], Selected Year Ends, 1926-1955

(Millions of dollars)

Location and Year	Direct Investment in Branches Subsidiaries and Controlled Companies					Portfolio Investments in Foreign Securities			Total Private Long-Term Investments Abroad	Government of Canada Credits	Total
	Railways and Utilities	Industrial and Commercial	Mining and Petroleum	Other Concerns	Total Direct Investment	Stocks	Bonds	Total Portfolio Investment			
l Countries:											
26	...	...	...	...	397	...	...	493	890	36	926
30	...	...	...	...	443	...	...	789	1,232	31	1,263
39	249	289	123	10	671[3]	511	208	719[3]	1,390	31	1,421
45	239	337	138	6	720	454	167	621	1,341	707	2,048
47	246	414	155	7	822	426	153	579	1,401	1,816	3,217
49	276	553	91	6	926	477	161	638	1,564	2,000	3,564
51	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
52	326	771	163	11	1,271	669[3]	161	830	2,101	1,866	3,967
53	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
54	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
55	438	1,029	291	18	1,776	765	224	989	2,765	1,635	4,400
e United States:											
26	...	...	...	...	250	...	...	195	445	—	445
30	...	...	...	...	260	...	...	459	719	—	719
39	211	176	21	4	412[3]	380	121	501[3]	913	—	913
45	212	214	25	4	455	317	92	409	864	—	864
47	217	272	37	5	531	283	83	366	897	—	897
49	247	413	58	3	721	345	98	443	1,164	—	1,164
51	288	549	71	4	912	289	87	376	1,288	—	1,288
52	293	572	95	8	968	450[3]	86	536	1,504	—	1,504
53	365	632	123	7	1,127	469	95	564	1,691	—	1,691
54	390	695	145	10	1,240	490	89	579	1,819	—	1,819
55	393	720	175	14	1,302	536	88	624	1,926	—	1,926
United Kingdom:											
6	...	...	...	...	7	...	...	45	52	—	52
0	...	...	...	...	14	...	...	45	59	—	59
9	—	53	—	6	59[3]	22	21	43[3]	102	—	102
5	—	53	—	1	54	26	27	53	107	561	668
7	—	64	—	—	64	26	26	52	116	1,331	1,447
9	—	58	—	1	59	21	19	40	99	1,434	1,532
1	1	73	—	—	74	17	17	34	108	1,394	1,502
2	1	80	—	—	81	17	14	31	112	1,357	1,469
3	1	103	—	—	104	16	13	29	133	1,292	1,425
4	1	118	—	—	119	17	14	31	150	1,247	1,397
5	2	154	—	1	157	30	17	47	204	1,202	1,406
er British Countries[2]:											
	7	30	17	—	54	7	15	22	76	—	76
	7	34	28	—	69	7	12	19	88	—	88
	8	47	30	—	85	7	11	18	103	—	103
	6	51	19	—	76	6	8	14	90	—	90
	7	61	20	-	88	6	8	14	102	—	102
	7	70	35	—	112	6	8	14	126	—	126
	6	73	54	—	133	6	8	14	147	—	147
	4	74	60	—	138	6	7	13	151	—	151
	4	83	72	—	159	7	21	28	187	—	187
er Foreign Countries:											
	...	...	...	...	140[4]	...	...	253[4]	393[4]	36	429[4]
	...	...	...	...	169[4]	105	180	285[4]	454[4]	31	485[4]
	31	30	85	—	146[3]	102	51	153[3]	299	31	330
	20	36	85	1	142	104	36	140	282	146	428
	21	31	88	2	142	110	33	143	285	485	770
	23	31	14	2	70	105	36	141	211	566	777
	25	39	26	2	92	155	30	185	277	528	805
	25	49	33	3	110	196	53	249	359	509	868
	30	51	38	2	121	199	63	262	383	486	869
	32	57	40	2	131	210	93	303	434	458	892
	39	72	44	3	158	192	98	290	448	433	881

Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the ment of Canada to the International Monetary Fund and International Bank for Reconstruction and Development which are partly offset by short term assets da of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

Including investments in Newfoundland prior to 1949.

New series not strictly comparable with earlier years.

Including investments in Other British Countries.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1955

Classification by Type of Security and Nature of National Ownership

(Millions of dollars)

Long-Term Investments in Canada	A. Owned by all Non-Residents							B. Owned by United States					
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954
By Type of Assets													
Bonds and Debentures:													
Government and municipal[1]	1,706	1,662	2,103	2,028	2,087	2,056	1,878	1,205	1,450	1,898	1,835	1,870	1,822
Steam railways	1,481	843	676	644	619	604	538	598	495	335	305	287	274
Other corporations	796	561	674	899	1,080	1,162	1,222	600	414	542	749	903	981
Sub-total	**3,983**	**3,066**	**3,453**	**3,571**	**3,786**	**3,822**	**3,638**	**2,403**	**2,359**	**2,775**	**2,889**	**3,060**	**3,077**
Capital stock of Canadian companies	2,856	3,194	4,745	5,196	5,722	6,284	6,958	1,832	2,088	3,477	3,830	4,237	4,620
Other corporation assets[2]	480	548	951	1,171	1,486	1,808	2,061	331	413	812	1,029	1,316	1,591
Income accumulating investment funds	—	—	—	—	—	102	170	—	—	—	—	—	102
Miscellaneous investments	295	284	328	447[3]	467	561	641	94	130	195	249[3]	257	302
Total Investments	**7,614**	**7,092**	**9,477**	**10,385**	**11,461**	**12,577**	**13,468**	**4,660**	**4,990**	**7,259**	**7,997**	**8,870**	**9,692**
By Nature of National Ownership													
I. Direct Investments (controlled in country of ownership):													
Bonds and Debentures:													
Steam railways	52	46	36	36	36	37	36	42	38	29	29	29	29
Other corporations	357	281	346	499	580	615	715	294	254	319	475	550	589
Sub-total	**409**	**327**	**382**	**535**	**616**	**652**	**751**	**336**	**292**	**348**	**504**	**579**	**618**
Capital stock of Canadian companies	1,543	1,860	3,205	3,541	3,951	4,398	4,960	1,330	1,613	2,750	3,022	3,356	3,659
Other corporation assets[2]	475	526	933	1,142	1,436	1,747	2,004	327	399	798	1,004	1,271	1,538
Total Direct Investments	**2,427**	**2,713**	**4,520**	**5,218**	**6,003**	**6,797**	**7,715**	**1,993**	**2,304**	**3,896**	**4,530**	**5,206**	**5,815**
II. Government and Municipal Bonds[1]	**1,706**	**1,662**	**2,103**	**2,028**	**2,087**	**2,056**	**1,878**	**1,205**	**1,450**	**1,898**	**1,835**	**1,870**	**1,822**
III. Other Portfolio Investments (not controlled in country of ownership):													
Bonds and Debentures:													
Steam railways — controlled in Canada	1,427	795	637	605	580	564	499	556	457	306	276	258	245
— controlled in other countries	2	2	3	3	3	3	3	—	—	—	—	—	—
Other corporations — controlled in Canada	421	220	239	291	369	415	369	301	158	214	266	344	383
— controlled in other countries	18	60	89	109	131	132	138	5	2	9	8	9	9
Sub-total	**1,868**	**1,077**	**968**	**1,008**	**1,083**	**1,114**	**1,009**	**862**	**617**	**529**	**550**	**611**	**637**
Capital stock of Canadian companies:													
Companies controlled in Canada	1,233	1,249	1,423	1,521	1,624	1,753	1,838	484	462	709	785	854	930
Companies controlled in other countries	80	85	117	134	147	133	160	18	13	18	23	27	31
Other corporation assets[2]:													
Companies controlled in Canada	5	16	11	21	39	45	42	4	13	10	20	38	41
Companies controlled in other countries	—	6	7	8	11	16	15	—	1	4	5	7	12
Income accumulating investment funds	—	—	—	—	—	102	170	—	—	—	—	—	102
Total Other Portfolio Investments	**3,186**	**2,433**	**2,526**	**2,692**	**2,904**	**3,163**	**3,234**	**1,368**	**1,106**	**1,270**	**1,383**	**1,537**	**1,753**
IV. Miscellaneous Investments:													
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	447[3]	467	561	641	94	130	195	249[3]	257	302
SUMMARY													
I. Direct Investments	2,427	2,713	4,520	5,218	6,003	6,797	7,715	1,993	2,304	3,896	4,530	5,206	5,815
II. Government and municipal bonds	1,706	1,662	2,103	2,028	2,087	2,056	1,878	1,205	1,450	1,898	1,835	1,870	1,822
III. Other portfolio investments	3,186	2,433	2,526	2,692	2,904	3,163	3,234	1,368	1,106	1,270	1,383	1,537	1,753
IV. Miscellaneous investments	295	284	328	447[3]	467	561	641	94	130	195	249[3]	257	302
Total Investments	**7,614**	**7,092**	**9,477**	**10,385**	**11,461**	**12,577**	**13,468**	**4,660**	**4,990**	**7,259**	**7,997**	**8,870**	**9,692**

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1955

Classification by Type of Security and Nature of National Ownership

(Millions of dollars)

Long Term Investments in Canada	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954	1955
By Type of Assets														
and Debentures:														
ernment and municipal[1]	486	157	146	136	150	144	141	15	55	59	57	67	90	88
m railways	862	316	309	307	300	298	296	21	32	32	32	32	32	29
er corporations	171	116	104	123	149	153	156	25	31	28	27	28	28	44
ub-total	**1,519**	**589**	**559**	**566**	**599**	**595**	**593**	**61**	**118**	**119**	**116**	**127**	**150**	**161**
l stock of Canadian companies	942	973	1,044	1,102	1,166	1,290	1,420	82	133	224	264	319	374	494
corporation assets[2]	134	103	110	104	127	159	177	15	32	29	38	43	58	60
laneous investments	171	85	65	114[3]	116	137	157	30	69	68	84[3]	94	122	117
otal Investments	**2,766**	**1,750**	**1,778**	**1,886**	**2,008**	**2,181**	**2,347**	**188**	**352**	**440**	**502**	**583**	**704**	**832**
By Nature of National Ownership														
rect Investments (controlled in country of ownership):														
nds and Debentures:														
Steam railways	10	8	7	7	7	8	7	—	—	—	—	—	—	—
Other corporations	49	13	13	11	15	13	10	14	14	14	13	15	13	29
Sub-total	**59**	**21**	**20**	**18**	**22**	**21**	**17**	**14**	**14**	**14**	**13**	**15**	**13**	**29**
pital stock of Canadian companies	200	226	369	424	466	586	690	13	21	86	95	129	153	231
er corporation assets[2]	133	101	108	102	124	156	176	15	26	27	36	41	53	55
Total Direct Investments	**392**	**348**	**497**	**544**	**612**	**763**	**883**	**42**	**61**	**127**	**144**	**185**	**219**	**315**
vernment and Municipal Bonds[1]	**486**	**157**	**146**	**136**	**150**	**144**	**141**	**15**	**55**	**59**	**57**	**67**	**90**	**88**
er Portfolio Investments (not controlled in country of ownership):														
ds and Debentures:														
team railways — controlled in Canada	850	306	299	297	290	287	286	21	32	32	32	32	32	29
— controlled in other countries	2	2	3	3	3	3	3	—	—	—	—	—	—	—
ther corporations — controlled in Canada	116	46	11	11	12	18	24	4	16	14	14	13	14	14
— controlled in other countries	6	57	80	101	122	122	122	7	1	—	—	—	1	1
Sub-total	**974**	**411**	**393**	**412**	**427**	**430**	**435**	**32**	**49**	**46**	**46**	**45**	**47**	**44**
ital stock of Canadian companies:														
ompanies controlled in Canada	685	691	602	599	617	648	671	64	96	112	137	153	175	205
ompanies controlled in other countries	57	56	73	79	83	56	59	5	16	26	32	37	46	58
er corporation assets 2:														
ompanies controlled in Canada	1	2	1	1	1	1	1	—	1	—	—	—	3	3
ompanies controlled in other countries	—	—	1	1	2	2	—	—	5	2	2	2	2	2
Total Other Portfolio Investments	**1,717**	**1,160**	**1,070**	**1,092**	**1,130**	**1,137**	**1,166**	**101**	**167**	**186**	**217**	**237**	**273**	**312**
cellaneous Investments:														
l estate, mortgages, assets administered for non-sidents, private investment companies, etc.	171	85	65	114[3]	116	137	157	30	69	68	84[3]	94	122	117
SUMMARY														
ct Investments	392	348	497	544	612	763	883	42	61	127	144	185	219	315
ernment and municipal bonds	486	157	146	136	150	144	141	15	55	59	57	67	90	88
r portfolio investments	1,717	1,160	1,070	1,092	1,130	1,137	1,166	101	167	186	217	237	273	312
ellaneous investments	171	85	65	114[3]	116	137	157	30	69	68	84[3]	94	122	117
Total Investments	**2,766**	**1,750**	**1,778**	**1,886**	**2,008**	**2,181**	**2,347**	**188**	**352**	**440**	**502**	**583**	**704**	**832**

[1] For division of Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long term investments.
[3] New series not strictly comparable with earlier years.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1955

Classification by Type of Investment

(Millions of dollars)

Long Term Investments in Canada by Type of Investment	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954	19
Government securities:														
Dominion	682	726	1,013	858	744	659	539	440	682	887	737	608	515	
Provincial	592	624	771	816	930	964	888	517	574	732	782	886	914	
Municipal	432	312	319	354	413	433	451	248	194	279	316	376	393	
Sub-total	**1,706**	**1,662**	**2,103**	**2,028**	**2,087**	**2,056**	**1,878**	**1,205**	**1,450**	**1,898**	**1,835**	**1,870**	**1,822**	**1,**
Manufacturing:														
Vegetable products	208	268	366	380	424	443	480	123	199	277	284	323	338	
Animal products	50	61	74	83	89	97	103	44	47	64	72	78	84	
Textiles	49	83	117	117	115	120	126	26	41	61	61	59	62	
Wood and paper products	586	455	718	772	840	939	993	489	383	568	620	682	774	
Iron and products	262	319	530	623	699	721	892	233	297	492	580	649	668	
Non-ferrous metals	125	274	463	599	694	727	780	118	209	367	480	543	571	
Non-metallic minerals	138	163	482	538	606	699	854	132	148	455	499	538	626	
Chemicals and allied products	122	169	297	339	366	430	455	89	124	227	259	276	294	
Miscellaneous manufactures	33	37	70	87	93	117	59	33	34	57	60	66	79	
Sub-total	**1,573**	**1,829**	**3,117**	**3,538**	**3,926**	**4,293**	**4,742**	**1,287**	**1,482**	**2,568**	**2,915**	**3,214**	**3,496**	**3,**
Mining and smelting	334	403	815	1,076	1,422	1,724	2,097	255	322	723	976	1,315	1,588	1,
Public utilities:														
Railways	2,244	1,599	1,436	1,429	1,424	1,428	1,360	832	720	656	644	624	627	
Other	634	494	575	639	680	729	726	522	375	490	550	590	628	
Sub-total	**2,878**	**2,093**	**2,011**	**2,068**	**2,104**	**2,157**	**2,086**	**1,354**	**1,095**	**1,146**	**1,194**	**1,214**	**1,255**	**1,**
Merchandising	203	226	388	447	530	580	626	138	164	270	317	388	421	
Financial institutions	543	525	595	648	774	1,052	1,221	251	285	353	395	482	680	
Other enterprises	82	70	120	133	151	154	177	76	62	106	116	130	128	
Miscellaneous investments	295	284	328	447[1]	467	561	641	94	130	195	249[1]	257	302	
Total investments	**7,614**	**7,092**	**9,477**	**10,385**	**11,461**	**12,577**	**13,468**	**4,660**	**4,990**	**7,259**	**7,997**	**8,870**	**9,692**	**10**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954	1
Government securities:														
Dominion	235	—	70	68	79	71	67	7	44	56	53	57	73	
Provincial	69	45	38	32	36	38	39	6	5	1	2	8	12	
Municipal	182	112	38	36	35	35	35	2	6	2	2	2	5	
Sub-total	**486**	**157**	**146**	**136**	**150**	**144**	**141**	**15**	**55**	**59**	**57**	**67**	**90**	
Manufacturing:														
Vegetable products	84	66	80	88	93	96	99	1	3	9	8	8	9	
Animal products	5	6	5	5	5	6	6	1	8	5	6	6	7	
Textiles	22	38	52	52	53	55	56	1	4	4	4	3	3	
Wood and paper products	95	64	140	142	147	151	156	2	8	10	10	11	14	
Iron and products	24	12	28	31	37	36	102	5	10	10	12	13	17	
Non-ferrous metals	6	64	91	113	142	146	153	1	1	5	6	9	10	
Non-metallic minerals	6	13	24	33	35	35	46	—	2	3	6	33	38	
Chemicals and allied products	32	36	60	68	77	121	132	1	9	10	12	13	15	
Miscellaneous manufactures	—	2	12	26	26	37	4	—	1	1	1	1	1	
Sub-total	**274**	**301**	**492**	**558**	**615**	**683**	**754**	**12**	**46**	**57**	**65**	**97**	**114**	
Mining and smelting	74	62	60	61	63	76	101	5	19	32	39	44	60	
Public utilities:														
Railways	1,352	806	704	699	702	699	698	60	73	76	86	98	102	
Other	100	90	56	55	57	65	87	12	29	29	34	33	36	
Sub-total	**1,452**	**896**	**760**	**754**	**759**	**764**	**785**	**72**	**102**	**105**	**120**	**131**	**138**	
Merchandising	61	57	103	112	122	136	144	4	5	15	18	20	23	
Financial institutions	243	186	142	139	167	219	240	49	54	100	114	125	153	
Other enterprises	5	6	10	12	16	22	25	1	2	4	5	5	4	
Miscellaneous investments	171	85	65	114[1]	116	137	157	30	69	68	84[1]	94	122	
Total investments	**2,766**	**1,750**	**1,778**	**1,886**	**2,008**	**2,181**	**2,347**	**188**	**352**	**440**	**502**	**583**	**704**	

1. New series not strictly comparable with earlier years.

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends, 1930-1955

Classification by Type of Business

(Millions of dollars)

Direct Investment in Canada by Type of Business	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954	1955
nufacturing:														
Vegetable products	165	200	291	315	351	373	395	94	140	214	230	261	279	306
Animal products	42	47	66	73	77	84	91	38	44	60	66	70	76	83
Textiles	33	56	86	87	85	92	102	20	28	46	46	43	47	56
Wood and paper products	378	348	564	610	682	763	809	334	316	454	499	560	642	684
Iron and products	203	277	467	548	617	637	803	199	272	451	528	591	606	705
Non-ferrous metals	116	211	375	486	541	570	618	113	203	362	473	519	543	579
Non-metallic minerals[2]	129	137	445	494	557	641	810	126	133	428	469	505	587	679
Chemicals and allied products	102	144	257	295	317	411	435	86	118	219	250	266	281	294
Miscellaneous manufactures	31	33	68	85	91	114	57	31	31	56	59	65	77	52
Total	**1,199**	**1,453**	**2,619**	**2,993**	**3,318**	**3,685**	**4,120**	**1,041**	**1,285**	**2,290**	**2,620**	**2,880**	**3,138**	**3,438**
ing and smelting	237	277	627	850	1,129	1,357	1,722	210	255	603	825	1,103	1,321	1,664
ities	450	376	412	404	440	475	463	423	359	392	382	418	454	413
chandising	173	208	372	431	471	509	548	122	153	259	306	336	357	388
ancial institutions	304	339	378	417	504	628	698	136	198	253	289	347	427	477
er enterprises	64	60	112	123	141	143	164	61	54	99	108	122	118	137
Total	**2,427**	**2,713**	**4,520**	**5,218**	**6,003**	**6,797**	**7,715**	**1,993**	**2,304**	**3,896**	**4,530**	**5,206**	**5,815**	**6,517**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1952	1953	1954	1955	1930	1945	1951	1952	1953	1954	1955
ufacturing:														
egetable products	71	60	74	82	86	90	85	—	—	3	3	4	4	4
imal products	3	3	3	3	3	4	4	1	—	3	4	4	4	4
extiles	13	26	38	39	41	44	46	—	2	2	2	1	1	—
od and paper products	44	30	109	111	121	120	124	—	2	1	—	1	1	1
n and products	3	4	14	15	21	22	86	1	1	2	5	5	9	12
n-ferrous metals	3	8	10	8	15	19	27	—	—	3	5	7	8	12
n-metallic minerals	3	4	17	25	27	26	35	—	—	—	—	25	28	96
emicals and allied products	15	19	30	36	42	119	130	1	7	8	9	9	11	11
scellaneous manufactures	—	2	12	26	26	37	4	—	—	—	—	—	—	1
Total	155	156	307	345	382	481	541	3	12	22	28	56	66	141
g and smelting	26	22	19	18	17	19	40	1	—	5	7	9	17	18
ies	27	16	16	16	16	16	33	—	1	4	6	6	5	17
andising	48	51	98	107	117	130	138	3	4	15	18	18	22	22
cial institutions	133	98	48	47	65	96	108	35	43	77	81	92	105	113
enterprises	3	5	9	11	15	21	23	—	1	4	4	4	4	4
Total	392	348	497	544	612	763	883	42	61	127	144	185	219	315

1. Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.
2. Investments in exploration and development of petroleum by companies engaged principally in refining and the production of petroleum products are in- l in the non-metallic minerals item of manufacturing.

TABLE XI. Number of Canadian Concerns Controlled Abroad[1], End of 1955

Classification by Country of Ownership and Type of Business

Type of Business	Controlled in United States			Controlled in United Kingdom			Controlled in Other Countries			Controlled Outside Canada
	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number	Subsidiaries or Controlled Companies	Unincorporated Branches	Total Number	Total Number
Manufacturing:										
Vegetable products	129	4	133	48	2	50	5	—	5	188
Animal products	58	1	59	5	1	6	3	—	3	68
Textiles	79	2	81	23	2	25	4	—	4	110
Wood and paper products	183	13	196	24	2	26	8	—	8	230
Iron and products	353	19	372	69	—	69	14	—	14	455
Non-ferrous metals	218	10	228	40	3	43	13	—	13	284
Non-metallic minerals	85	4	89	20	—	20	4	—	4	113
Chemicals and allied products	266	33	299	49	2	51	13	2	15	365
Miscellaneous manufactures	85	6	91	9	—	9	3	—	3	103
Sub-total	**1,456**	**92**	**1,548**	**287**	**12**	**299**	**67**	**2**	**69**	**1,916**
Mining and smelting	345	95	440	29	3	32	17	1	18	490
Utilities:										
Railways	8	4	12	4	—	4	—	—	—	16
Other utilities	96	16	112	22	4	26	17	3	20	158
Merchandising	664	107	771	290	35	325	79	2	81	1,177
Financial:										
Financial institutions except insurance	44	5	49	25	1	26	8	—	8	83
Insurance	12	190	202	23	90	113	5	42	47	362
Real estate	53	3	56	18	3	21	9	—	9	86
Other holding companies	35	11	46	27	2	29	23	—	23	98
Other enterprises	390	81	471	65	7	72	24	4	28	571
Total, All Companies, 1955[2]	**3,103**	**604**	**3,707**	**790**	**157**	**947**	**249**	**54**	**303**	**4,957**
Total, All Companies, 1945[3]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**	**2,522**

1. The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding table
2. Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 674; in the U.K. 198; in other countries 32.
3. Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.
4. Excludes non-resident owned investment corporations included with portfolio investments.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1954

Industry classification	1926	1930	1939	1948	1951	1952	1953	1954
Percentage of total owned by all non-residents:								
Manufacturing[1]	38	40	42	42	44	46	47	4
Mining, smelting and petroleum exploration and development[1]	37	44	40	39	51	54	56	5
Steam railways	55	56	57	45	40	38	37	3
Other utilities	32	36	27	20	18	18	17	1
Total of above industries and merchandising[2]	**37**	**39**	**38**	**32**	**32**	**32**	**32**	**3**
Percentage of total owned by United States Residents:								
Manufacturing[1]	30	33	34	35	36	38	38	3
Mining, smelting and petroleum exploration and development[1]	28	34	31	32	45	49	52	5
Steam railways	15	21	18	21	18	17	16	1
Other utilities	23	30	20	16	16	16	15	1
Total of above industries and merchandising[2]	**19**	**24**	**22**	**23**	**24**	**25**	**25**	**2**

1. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are includ in manufacturing.
2. Corporations engaged in the construction industry are included in the post-war period.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-1956

(Millions of dollars)

Year	Total Non-Resident Investment			Percentage of Total Non-Resident Investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other Countries
1900[2]	...	...	1,232	14	85	1
1914[3]	...	...	3,837	23	72	5
1918[3]	...	...	4,536	36	60	4
1926	1,782	4,221	6,003	53	44	3
1930	2,427	5,187	7,614	61	36	3
1933	2,352	5,013	7,365	61	36	3
1939	2,296	4,617	6,913	60	36	4
1945	2,713	4,379	7,092	70	25	5
1946	2,826	4,355	7,181	72	23	5
1947	2,986	4,205	7,191	72	23	5
1948	3,270	4,239	7,509	74	22	4
1949	3,586	4,377	7,963	74	22	4
1950	3,975	4,689	8,664	76	20	4
1951	4,520	4,957	9,477	76	19	5
1952	5,218	5,167	10,385	77	18	5
1953	6,003	5,458	11,461	77	18	5
1954	6,797	5,780	12,577	77	17	6
1955	7,715	5,753	13,468	77	17	6
1956	8,900[4]	6,500[4]	15,400[4]	76[4]	17[4]	7[4]

Year	Investment by Residents of the United States			Investment by Residents of the United Kingdom			Investment by Residents of Other Countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
1900[2]	...	...	168	...	...	1,050	...	...	14
1914[3]	...	...	881	...	...	2,778	...	...	178
1918[3]	...	...	1,630	...	...	2,729	...	...	177
1926	1,403	1,793	3,196	336	2,301	2,637	43	127	170
1930	1,993	2,667	4,660	392	2,374	2,766	42	146	188
1933	1,933	2,559	4,492	376	2,307	2,683	43	147	190
1939	1,881	2,270	4,151	366	2,110	2,476	49	237	286
1945	2,304	2,686	4,990	348	1,402	1,750	61	291	352
1946	2,428	2,730	5,158	335	1,335	1,670	63	290	353
1947	2,548	2,653	5,201	372	1,275	1,647	66	277	343
1948	2,807	2,760	5,567	400	1,210	1,610	63	269	332
1949	3,095	2,811	5,906	428	1,289	1,717	63	277	340
1950	3,426	3,123	6,549	468	1,282	1,750	81	284	365
1951	3,896	3,363	7,259	497	1,281	1,778	127	313	440
1952	4,530	3,467	7,997	544	1,342	1,886	144	358	502
1953	5,206	3,664	8,870	612	1,396	2,008	185	398	583
1954	5,815	3,877	9,692	763	1,418	2,181	219	485	704
1955	6,517	3,772	10,289	883	1,464	2,347	315	517	832
1956	7,425[4]	4,226[4]	11,651[4]	...	...	2,675[4]	...	...	1,075[4]

1. Including miscellaneous investments.
2. Estimated by Dr. Jacob Viner, Canada's Balance of International Indebtedness 1900-1913, (Cambridge 1924).
3. Estimated by Prof. F.A. Knox, Excursus appearing in Canadian-American Industry, Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics for 1926 and subsequent years are official data collected by the Dominion Bureau of Statistics.
4. Provisional estimate subject to revision.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1954

Industry classification	1926	1930	1939	1948	1951	1952	1953	1954
Percentage of total control by all non-residents:								
Manufacturing[1]	35	36	38	43	48	51	51	54
Mining, smelting and petroleum exploration and development[1]	38	47	42	40	53	56	57	59
Steam railways	3	3	3	3	3	2	2	2
Other utilities	20	29	26	24	22	12[3]	12	11
Total of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**27**	**28**	**28**
Percentage of total control by United States Residents:								
Manufacturing[1]	30	31	32	39	41	44	44	45
Mining, smelting and petroleum exploration and development[1]	32	42	38	37	51	53	55	57
Steam railways	3	3	3	3	2	2	2	2
Other utilities	20	29	26	24	21	12[3]	11	10
Total of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**25**

1. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are included in manufacturing.
2. Corporations engaged in the construction industry are included in the post-war period.
3. Ratio altered significantly through unusually large reclassification between foreign and Canadian-controlled companies.

TABLE XV. Ownership and Control of Selected Canadian Industries, 1953 and 1954[1]

No.	Company Classification	Estimated Total Investment	Investment Owned in:			
			Canada	United States	United Kingdom	Other Countries
		(Millions of dollars)				
	End of 1953[2]					
	Petroleum:[3]					
1	Exploration and development	900	362	530	2	
2	Refining	868	371	460	9	
3	Merchandising[4]	73	38	35	—	
4	Transportation	194	74	119	—	
5	**Sub-total**	**2,035**	**845**	**1,144**	**11**	
	Mining:					
6	Smelting and refining of non-ferrous native ores	620	258	260	71	
7	Other mining	1,004	414	551	26	
8	**Sub-total**	**1,624**	**672**	**811**	**97**	
	Other Manufacturing:[5]					
9	Pulp and paper	1,285	615	539	129	
10	Textiles	611	489	66	53	
11	Chemicals[6]	572	220	262	77	
12	Transportation equipment n.o.p.	214	146	43	25	
13	Electrical apparatus	386	137	226	19	
14	Agricultural machinery	164	104	54		
15	Primary iron and steel	355	296	48	9	
16	Beverages	336	244	80	11	
17	Automobiles and parts	280	63	213	3	
18	Rubber[7]	130	33	97	—	
19	Other	3,522	1,929	1,256	295	
20	**Sub-total**	**7,855**	**4,276**	**2,884**	**621**	
21	**Total of above industries**	**11,514**	**5,793**	**4,839**	**729**	
	End of 1954					
	Petroleum:[3]					
22	Exploration and development	1,065	385	659	7	
23	Refining	978	405	535	8	
24	Merchandising	58	50	8	—	
25	Transportation	214	55	158	1	
26	**Sub-total**	**2,315**	**895**	**1,360**	**16**	
	Mining:					
27	Smelting and refining of non-ferrous native ores	715	293	313	72	
28	Other mining	1,148	458	642	33	
29	**Sub-total**	**1,863**	**751**	**955**	**105**	
	Other Manufacturing:[5]					
30	Pulp and paper	1,433	699	599	130	
31	Textiles	605	477	70	55	
32	Chemicals	654	233	285	121	
33	Transportation equipment n.o.p.	245	161	47	37	
34	Electrical apparatus	402	121	250	22	
35	Agricultural machinery	155	100	53		
36	Primary iron and steel	390	326	53	9	
37	Beverages	330	235	82	12	
38	Automobiles and parts	292	82	228	1	
39	Rubber	134	30	94	10	
40	Other	3,644	1,966	1,328	300	
41	**Sub-total**	**8,284**	**4,410**	**3,089**	**697**	
42	**Total of above industries**	**12,462**	**6,056**	**5,404**	**818**	

1. The figures in this table are subject to important statistical qualifications which are described in "Canada's International Investment Position 1 1954" pages 68 to 70. The corporate classifications of foreign investment used in this statement have been altered in some cases from those appearing e where in this report to correspond more closely with the classification of estimated total investment. The equity of non-residents in the holding of Consolid Mining and Smelting Company of Canada Limited by Canadian Pacific Railway Company has been included under mining.

2. Revised.

3. It should be noted that the sub-divisions in this group are corporate and do not reflect the division of operations within individual corporations.

TABLE XV. Ownership and Control of Selected Canadian Industries, 1953 and 1954[1]

Total Canadian and External Capital in Companies controlled in:			Percentage of Capital Employed Owned in:				Percentage of Capital Employed Controlled in:			
Canada	United States	Elsewhere Outside Canada	Canada	United States	United Kingdom	Other Countries	Canada	United States	Elsewhere Outside Canada	No.
(Millions of dollars)			%	%	%	%	%	%	%	
363	529	8	40	59	—	1	40	59	1	1
219	616	33	43	53	1	3	25	71	4	2
38	35	—	52	48	—	—	52	48	—	3
—	194	—	38	61	—	1	—	100	—	4
620	**1,374**	**41**	**41**	**56**	**1**	**2**	**30**	**68**	**2**	5
250	370	—	42	42	11	5	40	60	—	6
476	491	37	41	55	3	1	47	49	4	7
726	**861**	**37**	**41**	**50**	**6**	**3**	**45**	**53**	**2**	8
582	544	159	48	42	10	—	45	42	13	9
513	53	45	80	11	9	—	84	9	7	10
159	309	104	39	46	13	2	28	54	18	11
140	47	27	68	20	12	—	65	22	13	12
108	240	38	35	59	3	2	28	62	10	13
109			63	33			66			14
340			83	13	3	1	96			15
276	481	35	73	24	3	—	82	38	3	16
14			23	76	1	—	5			17
10			25	75	—	—	8			18
1,765	1,504	253	55	36	8	1	50	43	7	19
4,016	**3,178**	**661**	**54**	**37**	**8**	**1**	**51**	**41**	**8**	20
5,362	**5,413**	**739**	**50**	**42**	**7**	**1**	**47**	**47**	**6**	21
387	659	19	36	62	1	1	36	62	2	22
240	707	31	41	55	1	3	25	72	3	23
50	8	—	86	14	—	—	86	14	—	24
16	198	—	26	74	—	—	7	93	—	25
693	**1,572**	**50**	**39**	**59**	**—**	**2**	**30**	**68**	**2**	26
323	392	—	41	44	10	5	45	55	—	27
493	621	34	40	56	3	1	43	54	3	28
816	**1,013**	**34**	**40**	**51**	**6**	**3**	**44**	**54**	**2**	29
623	648	162	49	42	9	—	44	45	11	30
497	58	50	79	12	9	—	82	10	8	31
163	332	159	36	44	18	2	25	51	24	32
156	51	38	66	19	15	—	64	21	15	33
90	312	51	30	62	4	2	22	56	19	34
104			65	34			67			35
365	25	—	84	14	2	—	94	6	—	36
264	47	19	71	25	4	—	80	14	6	37
15	277	—	22	78	—	—	5	95	—	38
9	112	13	22	70	8	—	7	84	9	39
1,770	1,585	289	54	37	8	1	49	43	8	40
4,056	**3,447**	**781**	**53**	**37**	**9**	**1**	**49**	**42**	**9**	41
5,565	**6,032**	**865**	**49**	**43**	**7**	**1**	**45**	**48**	**7**	42

[1] Merchandising companies controlled outside Canada and the United States have been included with refining companies.
[2] Including "Other Enterprises".
[3] Figures reflect the division of Canadian Industries Limited which did not actually take place until mid-1954.
[4] United Kingdom owned investments in rubber companies have been included under United States; an offsetting correction has been made in the residual "Other Manufacturing".

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1954

(Billions of dollars)

	1926	1930	1939	1948	1953	1954
Total Capital Employed:[1]						
Manufacturing[2]	3.1	3.9	3.5	5.7	8.7	9
Mining and smelting[2]	0.6	0.8	0.8	1.1	2.5	2
Steam railways	3.5	4.0	3.4	3.4	3.9	4
Other utilities	1.3	1.7	2.1	2.6	5.1	5
Merchandising[3] and construction[4]	2.1	2.5	2.1	3.2	5.6	6
Total of above	**10.6**	**12.9**	**11.9**	**16.0**	**25.8**	**28**
Resident Owned Capital:						
Manufacturing	1.9	2.3	2.0	3.3	4.6	4
Mining and smelting	0.4	0.5	0.5	0.7	1.1	1
Steam railways	1.6	1.7	1.5	1.9	2.5	2
Other utilities	0.9	1.1	1.5	2.1	4.3	4
Merchandising and construction	1.9	2.3	1.9	2.9	5.0	5
Total of above	**6.7**	**7.9**	**7.4**	**10.9**	**17.5**	**16**
Non-Resident Owned Capital:[5]						
Manufacturing	1.2	1.6	1.5	2.4	4.1	4
Mining and smelting	0.2	0.3	0.3	0.4	1.4	1
Steam railways	1.9	2.3	1.9	1.5	1.4	1
Other utilities	0.4	0.6	0.6	0.5	0.8	0
Merchandising	0.2	0.2	0.2	0.3	0.6	0
Total of above	**3.9**	**5.0**	**4.5**	**5.1**	**8.3**	**8**
United States Owned Investments:[5]						
Manufacturing	0.9	1.3	1.2	2.0	3.4	3
Mining and smelting	0.2	0.3	0.2	0.4	1.3	1
Steam railways	0.5	0.8	0.6	0.7	0.6	0
Other utilities	0.3	0.5	0.5	0.4	0.7	0
Merchandising	0.1	0.1	0.1	0.2	0.4	0
Total of above	**2.0**	**3.0**	**2.6**	**3.7**	**6.4**	**6**
Total Canadian and External Investment in All Companies Controlled Outside of Canada:						
Manufacturing	1.1	1.4	1.3	2.5	4.5	4
Mining and smelting	0.2	0.3	0.3	0.4	1.4	1
Steam railways	0.1	0.1	0.1	0.1	0.1	0
Other utilities	0.3	0.5	0.6	0.6	0.6	0
Merchandising	0.1	0.2	0.2	0.3	0.5	0
Total of above	**1.8**	**2.5**	**2.5**	**3.9**	**7.1**	**7**
Total Canadian and External Investment in Companies Controlled in the United States:						
Manufacturing	0.9	1.2	1.1	2.2	3.8	3
Mining and smelting	0.2	0.3	0.3	0.4	1.4	1
Steam railways	0.1	0.1	0.1	0.1	0.1	0
Other utilities	0.2	0.5	0.6	0.6	0.5	0
Merchandising	0.1	0.1	0.1	0.2	0.4	0
Total of above	**1.5**	**2.2**	**2.2**	**3.5**	**6.2**	**6**

1. Based largely on reported statistics of capital employed 1926-1939 and estimated from Taxation Statistics and other sources for subsequent years Statistical Notes pages 68-70 in Canada's International Investment Position 1926-1954).

2. Investments in exploration and development of petroleum by companies engaged principally in refining and production of petroleum products are incl in manufacturing.

3. Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustr broad relative magnitudes only.

4. Corporations engaged in the construction industry are included in the post-war period.

5. For the post-war years the figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" been included with manufacturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been incl

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THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1957

AND

INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS
International Trade Division
Balance of Payments Section

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1957:

Summary 5
Some Features of the Period of Peak Imbalance 6
Quarterly Developments 7
Bilateral Changes 9
Major Components of the Current Account 10
Capital Movements:
Summary 19
Direct Investments 20
Transactions in Portfolio Securities 23
Other Capital Transactions 26

Canada's International Investment Position:

General Review 27
Foreign Financing of all Canadian Investment 30
Foreign Ownership and Control of Canadian Industry 31
The Petroleum and Natural Gas Industry 33
Financial Institutions and Miscellaneous Investment 33

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1952-1957 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1955-1957 8
3. Foreign Exchange Rates: U.S. Dollar in Canada, 1956 and 1957 9
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1948-1957 10
5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1957 11
6. Adjustments to Merchandise Trade, 1956 and 1957 12
7. Major Components of Canada's Current Account with All Countries, 1951-1957 14
8. Travel Expenditures between Canada and Other Countries, 1948-1957 15
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-1957 16
10. Freight and Shipping Transactions between Canada and Other Countries, 1952-1957 17
11. Miscellaneous Current Transactions with All Countries, 1956 and 1957 18
12. United States Direct Investment in Canada, 1946-1957 21

12A. Additional Detail of United States Direct Investment in Canada, 1956 and 1957 21

12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-1956 22

13. Transactions in Canadian Securities between Canada and Other Countries, 1956 and 1957 24

13A. New Issues of Canadian Bonds and Debentures Sold to Residents of the United States 24

14. Transactions in Foreign Securities between Canada and Other Countries, 1956 and 1957 25
15. Composition of "Other Capital Movements", 1950-1957 27
16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1957 29
17. Value of Non-Resident Long-Term Investments in Canada, Selected Year Ends, 1900-1957 29
18. Value of United States Investments in Canada, Selected Year Ends, 1926-1957 29
19. Foreign Financing of all Canadian Investment, 1946-1957 31
20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1956 32
21. Detail of Foreign Investment in "Financial Institutions" Category, End of 1956 34
22. Detail of Foreign Investment in "Miscellaneous Investments" Category. End of 1952-1956 34

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1956 and 1957 35
II. Annual Statements of the Canadian Balance of International Payments, 1946-1957 36
III. Current Account Between Canada and All Countries, 1926-1957 39
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1955-1957 40
V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1957 44
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-1957 44
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-1956 45
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1956, by Type of Security and Nature of National Ownership 46
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1956, by Type of Investment 48
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-1956, by Type of Business 49
XI. Number of Canadian Concerns Controlled Abroad, End of 1956, by Country of Ownership and Type of Business 50
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1955 50
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-1957 51
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1955 51
XV. Ownership and Control of Selected Canadian Industries, 1954 and 1955 52
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1955 54

Summary of Special Statements or Extended Comment Contained in Recent Reports in this Series

Subject	Most recent treatment in Annual Report for	Pages
Factors related to international trading in Canadian bonds and debentures (1952-1955)	1955	pp 20-21
Interest arbitrage transactions of Canadians: Estimated transactions of Canadians in United Kingdom short-term Government securities (1955)	1955	pp 25-26
Manufacturing and mining enterprises in Canada — Concentration and control (1953)	1955	pp 28-29
Share of United States controlled manufacturing establishments in selling value of factory shipments, employment, and earnings (1953)	1955	p 29
Estimated distribution of ownership of Canadian long-term funded debt, by currency of payment (1955)	1955	pp 31-32
Capital movements in periods of intense economic activity, characteristics	1956	pp 19-20
Merchandise trade and "other capital movements"	1956	pp 26-27
Concentration of international investment in large enterprises	1956	pp 30-31
Direct investment in Canada by countries other than the United States and United Kingdom, (1955) origin by country	1956	p 33
The petroleum industry in Canada 1945 and 1955	1956	pp 33-35
Ownership of Canadian funded debt (1956)	1956	pp 35-36

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1957

Summary

Exceptional imbalance on current account, and large inflows of capital for long-term investment, were again in 1957 the outstanding features of Canada's balance of payments. The current account deficit rose to a new high level of $1,400 million in 1957 from $1,366 million in 1956. This is the amount by which Canadian expenditures in other countries on goods and services exceeded Canadian receipts from the sale of exports of goods and services. The deficit in 1957 was double that in 1955 which in turn was higher than in any earlier year. At the same time capital inflows of the longer term variety totalled $1,307 million, providing financing for most of the deficit.

Current deficits and capital movements of these magnitudes are closely related to high levels of economic activity and to the pressures of demands associated with the exceptional rate of growth and of investment outlays characteristic of the Canadian economy in recent years. The effects of changing pressures during 1957 are discussed elsewhere in this report.

Although the current deficit rose only slightly in 1957, this was the result of more significant changes in the underlying sources. The import balance on merchandise account fell by $149 million from $728 million to $579 million, but this was more than offset by a rise of $183 million in the deficit from non-merchandise transactions from $638 million to $821 million. The reduced merchandise balance was due to a decline in imports combined with a rise in exports. The greatest decline in imbalance on merchandise trade occurred in the final quarter of the year whereas there was a continued increase in the deficit from all other current transactions throughout the year. This was distributed among a variety of groups of transactions but the rise was particularly significant in income payments and in payments for transportation and business services and in larger official contributions by the Canadian Government. There was also a notable decline in receipts on defence account with the completion of some defence installations in northern Canada. Gross current transactions were slightly higher in value in 1957 than in 1956 in the case of both receipts and payments.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1952-1957

Account	1952	1953	1954	1955	1956	1957	Change in 1957
	millions of dollars						
Merchandise exports (adjusted)	4,339	4,152	3,929	4,332	4,837	4,909	+ 72
Merchandise imports (adjusted)	3,850	4,210	3,916	4,543	5,565	5,488	− 77
Balance on merchandise trade	+ 489	− 58	− 13	− 211	− 728	− 579	+149
Other current receipts	1,319	1,339	1,307	1,518	1,784	1,716	− 68
Other current payments	1,644	1,724	1,752	2,005	2,422	2,537	+115
Balance on non-merchandise transactions	− 325	− 385	− 445	− 487	− 638	− 821	−183
Current account balance	**+ 164**	**− 443**	**− 432**	**− 698**	**−1,366**	**−1,400**	**− 34**
Direct investment in Canada	+ 346	+ 426	+ 392	+ 417	+ 583	+ 520	− 63
Net new issues of Canadian securities	+ 227	+ 189	+ 128	− 18	+ 526	+ 653	+127
Net trade in outstanding Canadian securities	− 94	− 31	+ 63	− 27	+ 199	+ 94	−105
All other capital movements	− 643	− 141	− 151	+ 326	+ 58	+ 133	+ 75
Net capital movement	**− 164**	**+ 443**	**+ 432**	**+ 698**	**+1,366**	**+1,400**	**+ 34**

Note: Mutual Aid to NATO Countries is not included in either current receipts or payments.

Wide imbalance from transactions with the United States was again the major source of the current deficit, although there was a small decline in imbalance with that country to a deficit of $1,551 million. This decline in 1957 was less than a relatively large contraction in the current surplus with overseas countries to $151 million, the lowest since 1950.

Inflows of capital for long-term investment were in 1956 and 1957 much higher than in any earlier year, although inflows in these forms in the latter year at $1,307 million were less than the total of $1,423 million in 1956. Insufficient capital in Canada to finance the great volume of investment in the country was again an underlying factor, but some moderating in financial pressures occurred and there was a contraction in inflows in the latter part of 1957 from peak levels in the first half. About one-half of the drop in 1957 was in inflows for direct investment in Canada. Most of this decline was concentrated in capital for manufacturing with inflows for resource development continuing high and constituting the major part of direct investment inflows. On the other hand inflows from transactions in portfolio securities were higher with a rise in borrowing abroad through sales of new issues of Canadian securities. The latter more than offset reduced inflows of capital into outstanding Canadian securities. The remaining contractions in inflows occurred in repayments on government loans and in certain non-recurring types of long-term inflow. The outflow of capital in connection with Canadian direct investments abroad was considerably less in the latter year.

Canada's contribution of Mutual Aid to NATO countries amounted to $107 million in 1957. These contributions include shipments of equipment and supplies and the provision of training for European aircrews, and being unilateral, do not affect the net current account balance. Credit entries representing the provision of goods and services are offset by corresponding payment entries representing the contributions.

Some Features of the Period of Peak Imbalance

Some of the apparent similarities in key aspects of Canada's international accounts in 1956 and 1957 conceal important underlying differences between the two years. These differences relate for the most part to the direction of change and to the related alterations in the general economic environments both in Canada and abroad which play such a big part in shaping the accounts. The period of greatest relative imbalance was reached in the latter part of 1956 and carried over into the first half of 1957 when allowance is made for the normal effects of differing patterns in each period of the year. Consequently imbalance was rising during 1956 whereas in 1957 it had fallen off sharply by the end of the year.

The effects of this general difference between the two years are most evident when quarterly and other detailed statements are studied. The behaviour of Canadian imports of merchandise in the two years is one of the best illustrations of the changes in direction. While total value of imports was only moderately less in 1957, declines from peak levels were evident throughout much of the year becoming particularly sharp by the final quarter. This contrasts with a strong rising tendency characteristic of most of 1956. Somewhat similar kinds of trend are evident in some other parts of the accounts as well, particularly in certain types of capital inflow.

One of the most influential factors related to these changes in the two years was the level of business investment in Canada and the business atmosphere surrounding it and the associated pressures which this led to in demands for many kinds of goods and services and for financing. But no single factor can be held up as of sole importance. High levels of activity throughout most of the economy also, of course, played an important part in contributing to the exceptional demand pressures, but it would not be possible to isolate the effects of each. For example, rising levels of personal consumption characteristic of both years directly and indirectly created demands for imports, and the rising business inventories characteristic of the period up to the middle of 1957 also absorbed imports. The effects of the large volume of exports also contributed to demands spreading into imports as a result of the prevailing high incomes. But as reductions in demand for some prominent exports appeared during 1957 this became a significant influence with effects upon business decisions.

Variations in the current deficits in 1956 and 1957 appear more in the composition and sources of the deficits rather than in their size. In the latter year less of the deficit originated from merchandise trade than in 1956 when imbalance in this account was of unprecedented size. But further expansion in the deficit from all other current transactions was enough for these transactions with non-residents to make up over 58 per cent of the deficit in 1957. The contraction in the imbalance on merchandise trade resulted chiefly from a decline late in the year in imports of machinery and equipment and steel which seems to have been related to a contraction in the amount of business investment in the latter part of 1957. On the other hand the rise in the deficit from other current transactions continued throughout the year. Most of this occurred in the income, transportation, and business services accounts with also a contraction in expenditures in Canada on defence installations by the United States Government. Income payments to non-residents have been growing steadily in recent years although not as rapidly as non-resident investments because of earnings retained in Canada for further investment and lags in income transfers.

The period of peak imbalance which occurred in Canada's international accounts in 1956 and 1957 coincides with the period of high general growth in the Canadian economy which was greater than it had been for many decades. Current account deficits of close to $1,400 million in each year were well over twice the level of the previous year and almost three times the level in the two years before 1955. This disequilibrium in Canada's current account widened in the 1950's as growth reached exceptional levels. Connections between the current imbalance and growth are numerous and far-reaching and close interrelations also exist between inflows of foreign

capital and the current imbalance and general growth as much of the latter has been initiated and financed by non-residents. This has been particularly the case in key areas of development which have influenced more general expansion throughout the economy.

Canadian growth has been most evident in the rapid expansion in population and productive facilities as new investment in capital assets rose to new peaks. A greater diversification of Canadian production has been resulting from the investment. Much of this new productive capacity has been in minerals and other industrial materials produced for export. But there is, of course, some lag between the time of peak investment and the time when new facilities reach the stage of full production. While exports have shown substantial rises the new potential capacity being built up has not yet been full utilized. And, on the other hand, income payments to non-residents have also tended to lag behind investment.

New investments in natural resources and ancillary utilities have characterized the period of peak investment up to 1957. The petroleum and natural gas industry is the most outstanding example of a new resource industry, and the special place which non-resident capital has held in this development is well known. This has been the case in each branch of this integrated industry such as exploration, development, refining, pipelines for oil and gas transmission, and other transportation. Other major developments of resources have included iron ore, uranium, and other metal mining, smelting and refining of nickel and aluminum, the pulp and paper industry, chemicals, and hydro-electric power which plays such an important part in resource development. Non-resident capital has initiated investments in many of the leading projects in these industries and subsequently financed development, particularly when these have taken the form of direct investment of non-resident capital in Canada.

A part of investment activity in Canada which has been particularly influential in shaping the balance of payments is that arising from business investment in new industrial plant and equipment and in other capital facilities. Exceptionally large imports of machinery and equipment and of construction materials and equipment have resulted from much of the business investment in the development of natural resources and primary industries and in other forms of industrial expansion and renovation. In this manner very direct effects upon the balance of payments originated and are clearly evident in the great expansion of some groups of commodities imported like machinery and equipment, pipe and structural steel. But the effects of heavy investment in Canada were felt in other ways as pressures of demands rose from the unprecedented levels of activity in many spheres. These pressures led to the use of foreign resources to supplement Canadian in a variety of ways as imports of goods and services generally expanded and as external sources of capital supplemented Canadian savings. The flexibility in the balance of payments was an important factor in making such a high rate of growth possible.

Business investment in Canada was at a peak in 1956 and 1957. But in the course of the latter year there was a falling off which was particularly evident in that part of investment in the form of machinery and equipment. Imports of this kind of capital equipment and related materials reached a peak in the early part of 1957 and fell significantly towards the end of the year. Inventories, too, were generally not increasing in the latter part of the year.

Besides the unusual flexibility in imports there had been wide variations in capital inflows for long-term investment described in more detail under Capital Movements. The maximum volume of these inflows coincided in 1956 and 1957 with the peaks in capital investment in Canada. In both years the use of foreign resources amounted to about one-third of net capital formation and net investment directly financed by non-residents amounted to an even larger ratio. This is a higher dependency upon external resources than has been shown for many decades, although it is less than in some periods of exceptional investment such as in that before the First Great War. The size of the capital inflows into Canada has been large in relation to the total value of all non-resident capital investments accumulated in the past before the period of heavy inflows of the 1950's. And earnings retained in Canada have also financed a large amount of growth. Consequently the value of non-resident investments in Canada by the end of 1957 was more than double the value in 1949 with especially high rates of increase in 1956 and 1957 of some 15 per cent and 10 per cent respectively. Further information on the distribution and extent of non-resident investments in Canada will be found in the final section of this report dealing with Canada's International Investment Position.

Quarterly Developments

The broad trends during the period of peak imbalance described above are most clearly evident in quarterly statements. The actual deficits on current account were significantly larger than in 1956 in each of the first two quarters of 1957, slightly less in the third, and much less by the fourth quarter. In most periods the change has been distributed among a variety of items. In the first two quarters of 1957 the larger deficits originated in both the import balance from merchandise trade and in the deficit from all other current transactions. Reductions in the two latter quarters were entirely in the merchandise balance which fell sharply as the deficit from other transactions continued to be higher than in corresponding periods of 1956.

The declining trend in merchandise imports in 1957 was most accentuated in the final quarter and was instrumental in sharply reducing the current

account deficit by virtually eliminating the import balance on merchandise account. As noted elsewhere this was affected by reduced pressures of Canadian demands particularly those related to business investment. Prior to the final quarter declines in imports from the levels of the previous year had been only slight. Relatively small variations in exports from quarter to quarter also had notable effects on quarterly balances particularly in the second quarter when the drop in exports in that period had a major effect on increasing the current deficit. This was followed in the third quarter by a considerable increase in exports which led to reducing the import balance in a period when imports were relatively unchanged.

A consistent rise in the deficit from all other current transactions during 1957 over 1956 is a continuation of a trend evident during 1956 as well, with the exception of the first quarter of that year. The latter deficit was a little less than that in the first quarter of 1955 when dividend payments had been most exceptionally high. The rising trend in 1957 can be traced largely to the accounts covering income, freight and shipping, and all other current transactions. Increases in the deficit from all non-commodity transactions were substantial in each quarter, but largest in the second quarter. The deficit from remittances of investment income was greater in each of the first three quarters but was slightly less than the exceptional level of the fourth quarter 1956. The deficits on account of freight and shipping and of the group described as "all other current transactions" were higher throughout the year and the rise in the latter was greatest in the final quarter. Leading factors contributing to the latter have been rising payments for business services and miscellaneous income coinciding with reduced expenditures by the United States on defence installations in Canada.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1955-1957

Country or area	1955				1956				1957			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
United States	−277	−280	−151	−327	−414	−531	−259	−435	−483	−550	−212	−306
United Kingdom	+ 71	+ 99	+ 68	+ 92	+ 63	+ 34	+ 69	+ 86	+ 24	+ 29	+ 53	+ 36
Other sterling area	+ 22	+ 13	+ 20	+ 5	+ 16	+ 19	+ 2	+ 11	+ 13	− 7	− 12	+ 15
All other countries[1]	− 1	+ 5	− 22	− 35	− 35	+ 42	− 28	− 6	+ 19	—	− 24	+ 5
All countries	**−185**	**−163**	**− 85**	**−265**	**−370**	**−436**	**−216**	**−344**	**−427**	**−528**	**−195**	**−250**

[1] Including other OEEC Countries.

Much the same overall pattern evident in the current account deficits was displayed by movements of capital in the long-term forms which are shown separately in the quarterly statements. These particular forms of capital financed nearly 91 per cent of the deficit for the year; other long-term forms not available on a quarterly basis brought this figure to more than 93 per cent. In the first quarter when 30 per cent of the deficit was incurred, some 25 per cent of the net inflow from direct investment, security, and official loan transactions was received, sufficient to finance about three-quarters of it. In the second quarter when the deficit reached $528 million and amounted to 38 per cent of the year's total, there occurred 39 per cent of the inflows described, and these were sufficient to finance 94 per cent. And in the third and fourth quarters of the year when the deficits declined, accounting for only 14 per cent and 18 per cent of the year's total, the inflows also fell and represented 21 per cent and 15 per cent respectively of their total for the year. Despite the broad pattern of similarity between the current account deficits and the movements of capital in long-term forms — influenced somewhat by relationships between investment and import demands referred to elsewhere — movements of capital in short-term forms also played an important part in the financing of Canada's international accounts, particularly over the short run, as will be seen in the figures appearing in the quarterly statements for changes in Canadian dollar holdings by foreigners, changes in official holdings of gold and foreign exchange, and all other capital movements.

These developments were as usual accompanied by shifts of the exchange rate. The price of the United States dollar in Canada rose from 95.97 cents at the end of 1956 to 98.41 cents at the end of 1957. It moved through a low of 94.22 cents in August and a high of 98.62 cents in December, a trading range of 4.40 cents which was slightly wider than for any earlier year since 1952. In general the United States dollar tended to decline moderately into the third quarter. The trading range in the first quarter was only 0.84 cents and in the second

quarter only 1.00 cents. By mid-year the quotation for the United States dollar in Canada had fallen 0.63 cents to 95.34 cents. This trend continued through July and the early part of August when the rate of decline accelerated and a new low for the century of 94.22 cents was established on August 20. Following this, the value of the United States dollar in Canada showed a generally rising trend for the balance of the quarter, closing at 96.44 cents, having traded within a range of 2.34 cents in the quarter. In the latter part of November and through December, the Canadian dollar weakened and the United States dollar in Canada closed the year at 98.41 cents; the trading range for the quarter was 2.93 cents. The noon averages for the four quarters of 1957 were 95.84 cents, 95.62 cents, 95.25 cents, and 96.82 cents respectively. The noon average of 95.88 cents for the year as a whole compared with 98.41 cents in 1956.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1956 and 1957

Quotations reported on transactions between banks in the exchange market

Source: Bank of Canada

Quarter	1956			1957		
	High	Low	Noon average	High	Low	Noon average
	Canadian cents per unit					
I	99.97	99.81	99.88	96.34	95.50	95.84
II	99.87	98.00	99.12	96.22	95.22	95.62
III	98.44	97.44	98.03	96.56	94.22	95.25
IV	97.62	95.66	96.62	98.62	95.69	96.82
Year	**99.97**	**95.66**	**98.41**	**98.62**	**94.22**	**95.88**

Closing Quotations: 1956, 95.96875: 1957, 98.40625.

Bilateral Changes

The most outstanding feature of the bilateral pattern in Canada's current account in 1957 was, as in 1956, the exceptionally large size of the deficit with the United States. In each year current payments to the United States for goods and services exceeded receipts by well over $1½ billion which compares with much smaller deficits in earlier years, which only exceeded $1 billion in two years before 1956, as shown in Statement 4. Changes in the size of this deficit between 1956 and 1957 were comparatively small with a decline in total from $1,639 million to $1,551 million mostly concentrated in the final quarter. This drop of $88 million was more than offset by a reduction of $122 million in the current surplus with overseas countries to $151 million. The latter balance is the lowest in any post-war year apart from 1950, being less than one-half the surplus with overseas countries as recently as 1955 and much less than surpluses in some earlier years like $1,013 million in 1952.

The sources of the deficit with the United States underwent more changes than the total between 1956 and 1957. The adjusted import balance on commodity account was down $220 million while the deficit from non-commodity current transactions was up $132 million. Trends in both imports and exports contributed to the first change. The chief drops in Canadian imports which occurred in the latter part of 1957 were concentrated in purchases from the United States and were particularly substantial in groups of commodities which had been at most exceptional levels in the period of peak imports like machinery and equipment and other metal products. But in contrast special strength in exports to the United States in a few commodities like uranium, cattle, and petroleum was enough to raise the total exported to that country even though demand softened for some leading exports to the United States. The gain of $132 million in the deficit from non-commodity transactions with the United States was chiefly due to rises of $48 million in net income remittances and $80 million in miscellaneous transactions. The expansion in transfers of income occurred in both interest and dividends reflecting larger United States investments in public issues of bonds and stocks and a growth in remittances of earnings on the enlarged United States direct investment in Canada. The sharp increase in net payments for miscellaneous services reflects reduced expenditures on defence in Canada by the United States Government and larger transfers to the United States for business services and of miscellaneous income. Deficits with the United States from other groups of transactions like travel and freight and shipping remained substantial, although they did not change significantly.

With the United Kingdom there was a sharp contraction in Canada's current surplus from $252 million to $142 million between 1956 and 1957. This is a smaller surplus than in any other post-war

year except for 1950 and 1953. The change resulted from a reduction on commodity account of $96 million and an enlarged deficit from all other transactions which was greater by $14 million. The decline in the commodity balance resulted from reduced exports and increased imports commented on under merchandise trade. The deficit from non-commodity transactions at $87 million is larger than in any earlier post-war year. A considerable part of the increase in the year springs from larger payments and reduced receipts on freight and shipping account and on income account, and larger payments for miscellaneous transactions which more than offset a substantial rise in immigrants' funds, and a slight reduction in the deficit on travel account, although the latter remains of significant size.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1948-1957

Country or area	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	Change in 1957
	millions of dollars										
United States	−393	−601	−400	−951	−849	−904	−807	−1,035	−1,639	−1,551	+ 88
United Kingdom	+486	+446	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 142	−110
Other sterling area	+129	+135	− 23	− 24	+114	+ 83	+ 44	+ 60	+ 48	+ 9	− 39
Other OEEC countries	+226	+185	+108	+223	+332	+173	+ 93	+ 24	+ 17	+ 29	+ 12
All other countries	+ 3	+ 12	− 43	+ 12	+179	+ 72	+ 9	− 77	− 44	− 29	+ 15
All countries	**+451**	**+177**	**−334**	**−517**	**+164**	**−443**	**−432**	**− 698**	**−1,366**	**−1,400**	**− 34**

There was a contraction in the balance with the Rest of the Sterling Area from a surplus of $48 million in 1956 to one of $9 million for 1957. Most of this occurred on commodity account with reduced exports and increased imports. The balance of all other transactions did not change appreciably. Larger official contributions under the Colombo Plan were mainly offset by a little smaller surplus from all other current items. Changes in individual current items were numerous but not significantly large.

The relatively small current account balance with O.E.E.C. countries of $29 million in 1957 (compared with $17 million in 1956) again concealed much larger imbalance in leading groups of transactions with these countries. On commodity account the export surplus expanded from $150 million to $179 million mainly from appreciably larger exports accompanied by a small increase in imports. Offsetting part of this was a rise of $17 million to $150 million in the deficit from non-commodity transactions. The leading contributions to this imbalance continued to be large Canadian military expenditures in Western Europe and travel expenditures supplemented by small deficits from income transfers and from freight and shipping transactions. A variety of changes in both directions resulted in the larger deficit from "invisibles".

The deficit with all other countries was reduced from $44 million to $29 million by the effects of a smaller deficit on merchandise trade from a larger rise in exports and a smaller surplus from all other current transactions.

The net inflow of capital from the United States in 1957 is estimated to have been $1,038 million, compared with a revised figure of $856 million in 1956. At this rate it covered nearly three-quarters of the current account deficit with all countries and about two-thirds of the larger deficit arising from transactions with the United States alone. These proportions compared with 63 per cent and 52 per cent respectively for 1956. The net inflow of United Kingdom capital was $235 million compared with $299 million in 1955, and that from other overseas countries was $127 million compared with $211 million in the earlier year.

The current account surplus with the United Kingdom and with other overseas countries fell from $273 million to $151 million and at the same time the net capital inflows for these countries fell from $510 million to $362 million. As a consequence multilateral settlements from overseas countries which had on balance provided $783 million for the settling of Canada's net deficit with the United States in 1956, supplied only $513 million in 1957. Despite the continuation of capital inflows from overseas countries at a high level, the current account surplus with these countries was sufficiently reduced to lead to a lower level of multilateral settlements in 1957 than in any year since 1951. The current account deficit with the United States was somewhat smaller and the net capital import from that country was higher than in 1956; the net difference between the two of $513 million was accounted for by the exchange transfers arising from transactions with overseas countries.

Major Components of the Current Account

Merchandise Trade

Substantial and variable import balances in Canada's merchandise trade of $211 million, $728 million, and $579 million respectively have been special features of Canada's current account deficit

in each of the years 1955, 1956, and 1957. Although imbalance from this source was greatest in 1956 and receded in 1957, exceptionally large amounts of imbalance first appeared in the latter half of 1955 and continued into the first half of 1957. This period of peak imbalance was followed by a sharp contraction in the second half of 1957.

Trade has been at unprecedented levels in recent years and with such high totals of total trade it takes only relatively small changes in exports or imports to greatly alter the balance of trade. The greatest variations have occurred in imports which expanded rapidly in 1955 and 1956 continuing in the first half of 1957 at unprecedented levels, to be followed by a decline which was quite sharp towards the end of the year. The extent of the disequilibrium was moderated however, by a substantial growth in exports in 1955 and 1956 and by a maintenance of the total value in 1957. The largest changes in the commodity balance have been in trade with the United States with the import balance with that country rising sharply in 1955 and 1956 and contracting significantly in 1957, although the export balance with the United Kingdom fell in the two latter years following a rise in the former.

The proportions of the current account deficits which have been made up by the import balance have fluctuated widely in recent years. In 1957 some 41 per cent of the total deficit was made up by the merchandise deficit compared with almost 53 per cent in 1956 and some 30 per cent in 1955.

It should be noted that all merchandise trade figures used in the balance of payments statements have been adjusted for that purpose. Figures used therefore, differ from regularly published trade statistics which include some movement of goods which are not relevant for balance of payments purposes and exclude some other transactions belonging to these statements, as described at the end of the note on this item.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1957

(1948 = 100)

Year and quarter	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.3	160.3
1956	121.4	113.0	107.4	128.3	190.0
1957	121.3	116.6	104.0	129.8	182.2
1956 I	120.0	113.8	105.4	112.2	168.9
II	121.8	113.4	107.4	131.9	208.6
III	121.8	112.3	108.5	133.3	186.2
IV	122.3	113.0	108.2	135.2	195.5
1957 I	122.2	116.1	105.3	116.8	177.0
II	122.1	116.9	104.4	126.8	199.9
III	121.2	116.0	104.5	137.6	181.3
IV	120.5	117.4	102.6	137.0	170.4

Note: Indexes indicate movements in unadjusted trade data.

Exports

A slight rise in the total value of all exports from Canada in 1957 conceals more divergent trends than have appeared in recent years. Although there continued to be further substantial rises in exports of some commodities where export capacity has been growing, there was a levelling off, and in some cases a decline in the values of some leading export staples.

The growing diversification of Canadian production and exports resulting from the new investment in export industries of recent years is evident

in the changing pattern of commodities entering Canada's export trade. Materials for industry like forest products, metals, and minerals have been increasing in importance while the relative position of wheat and some other agricultural products has declined. In addition to new products for export like iron ore, petroleum, uranium, and various other minerals and industrial materials, there have been general increases in the productive capacity of more traditional staples like pulp and paper, nickel, aluminum and copper, to mention only a few.

The general expansion in production of industrial materials has been a leading factor behind the growth in total exports. This was again the case in 1957 even when demands for some industrial materials weakened. Along with this was a sharp contraction in sales of wheat from the high level of 1956 and of other grains. In addition there was a further substantial decline in exports of lumber and in the value of copper, while commodities where exports have been expanding in recent years like aluminum, lead, zinc, and wood pulp also showed some declines. On the other hand exports of some other staples like newsprint, nickel, asbestos, chemicals, and iron ore continued to rise in value, although generally not so much as in preceding years. Larger rises both proportionately and in absolute size occurred in petroleum, uranium, cattle, seeds, primary steel, and used ships, usually as a result of special demand factors. Exports of some manufactured goods also rose appreciably, but restrictions and competition abroad continued to impede general expansion in sales of Canadian secondary production.

The United States was the market for close to 60 per cent of Canadian exports in 1957, with a slight increase in both this ratio and the total value of all commodities exported. But as in the case of trade with all countries trends were quite mixed and the increased total was the result of large rises in a few commodities like uranium, petroleum, and cattle. A few other leading commodities like aluminum and nickel showed more moderate gains while some of the major export staples like lumber, pulp and paper, and copper and lead receded.

There was little change in total exports overseas but some variations occurred in shipments to different markets. Increases to the OEEC countries, Latin America and Japan were chiefly offset by reductions in exports to the United Kingdom, the Rest of the Sterling Area, and Eastern Europe. While there were declines in exports of grain overseas, rises in a variety of industrial materials like forest products, metals, and some other commodities were enough to maintain totals.

The proportion of exports to the United Kingdom dropped to 15 per cent in 1957 with considerably less wheat, barley, and aluminum exported than in 1956. But sales to the United Kingdom of forest products and some other metals, minerals, and chemicals and certain agricultural products rose.

A moderate decline which occurred in total exports to the Rest of the Sterling Area was largely concentrated in trade with the Union of South Africa where there had been substantial exports of military aircraft in the previous year.

The increase in exports to OEEC countries marks a further large rise over that in the previous year. The largest rises were in shipments to Germany, Italy, and the Netherlands with continued gains in exports of metals and other industrial materials which more than offset some declines in wheat.

Exports to all other countries were higher in total. This was chiefly a result of larger shipments to Latin America and Japan which were only partly offset by reduced exports of grain to Eastern Europe. A large part of the gain to Latin America was from inclusion of old ships to Panama, while the higher total to Japan included more of some industrial materials than in the previous year.

STATEMENT 6. Adjustments to Merchandise Trade, 1956 and 1957

Exports	1956	1957	Imports	1956	1957
	millions of dollars			millions of dollars	
Domestic exports in trade returns	4,789.7	4,839.1	Imports in trade returns	5,705.4	5,623.4
Exports of foreign produce	73.4	95.3			
Total exports	**4,863.1**	**4,934.4**			
Adjustments:			Adjustments:		
Tourist exports	− 3.0	− 2.3	Tourist imports	− 75.2	− 77.4
Settlers' effects	− 27.7	− 33.7	Settlers' effects	− 31.8	− 41.8
Private donations	− 1.6	− 1.7	Advertising	− 7.9	− 8.2
Warehousing	+ 5.3	+ 5.4	Warehousing	+ 16.5	+ 14.9
All other adjustments	+ 0.6	+ 7.2	All other adjustments	+ 42.4	+ 22.8
Total adjustments	**− 26.4**	**− 25.1**	**Total adjustments**	**− 140.8**	**− 135.3**
Merchandise exports (adjusted) (Table I, item A1)	4,836.7	4,909.3	Merchandise imports (adjusted) (Table I, item B1)	5,564.6	5,488.1

Imports

Canadian imports were at exceptionally high levels in both 1956 and 1957. Both years were around one-fifth higher than the level in 1955. The total value in 1957 was only slightly less than in 1956 and the composition was not significantly dissimilar. Exceptionally high levels of all types of imports were general with special emphasis on imports of investment goods and industrial materials. But general similarity in features between the two years conceals the distinct changes underway in each year. Whereas imports were rising rapidly in 1956, a decline occurred in 1957 which became quite pronounced by the last quarter. The highest levels were reached in the latter part of 1956 and were carried over into the early part of 1957.

The greatest contrasts in the size and composition of imports in 1957 stand out when comparison is made with a year like 1955 before the more exceptional peak levels were reached. But even in that year Canadian imports had reached a level well above that in any earlier year. While increases over 1955 were general in both 1956 and 1957 for most commodities, the widest expansion occurred in groups of commodities closely related to investment of which outstanding examples are provided by machinery and equipment and steel. For example, the gain in imports of non-farm machinery amounted to some two-fifths between 1955 and 1956 and the total for 1957 remained at this high level. With rolling mill products the value was some four-fifths greater by 1956 but the level had fallen off in 1957. And with pipes, tubes and fittings the total was much more than double in 1956 and was still higher in 1957. Other imports of iron and products also share in the more conspicuous gains and the rise in these groups of commodities contributed more than three-fifths of the rise in total imports between 1955 and 1956. But in 1957 most of the small declines in total imports occurred in the same group of iron and products, although this group remained much higher than in any year before 1956.

More important than small year-to-year changes in imports between 1956 and 1957 are the declines which set in during the latter year. By the end of the year these had become quite pronounced and drops were most conspicuous in many of the groups of commodities which had risen so sharply in 1956 and in the early part of 1957. These were the commodities more closely related to investment activity, such as machinery and equipment and industrial materials of iron and steel. Smaller declines occurred in some other industrial materials while imports of consumer goods and materials used in their production tended to be sustained.

Sources of Canadian imports underwent some changes in 1957 as the proportion bought in the United States dropped to 71.2 per cent from 73.0 per cent. This resulted from a reduction in imports from the United States occurring at a time when more was imported from overseas. A drop of $143 million in the value of imports from United States was spread over a number of commodities. In some cases like automobiles imports had been unusually high due to exceptional circumstances in the earlier year. But other declines were most evident in the final quarter of the year in those commodities noted above in which trends have been more volatile.

Imports from the United Kingdom showed more expansion than from other sources, rising $27 million or some 5 per cent. This impetus was largely due to increased imports of such commodities as machinery, automobiles, aircraft and pipes.

Imports from OEEC countries were also higher by some 5 per cent and again were distributed chiefly among a variety of manufactured goods from different countries. Among the more notable increases were automobiles from Germany.

The gain in imports from the Rest of the Sterling Area was mainly concentrated in higher imports of sugar and alumina.

With other countries a slight rise in total conceals a variety of offsetting changes with the largest single gain being in petroleum from Venezuela, and the largest decline a drop in purchases of cotton from Mexico.

While import prices rose unevenly during 1957 to a level averaging more than 3 per cent above 1956, there was little change in the corresponding average of export prices, although there was a decline of some 2 per cent during the year. The resulting deterioration in the terms of trade was therefore some 3 per cent in 1957. Trends in the prices of major groups of commodities were more divergent than the averages. While there was substantial drop in the prices of some non-ferrous metals and other primary products during the year, the prices of some other major export commodities were higher than in the previous year. Some of the more significant price rises in imports were in metal products and other manufactured goods and in petroleum, while the price of some imported agricultural products fell.

Gold available for export at $147 million was slightly less in value in 1957 than the $150 million value in the previous year. Although the quantity produced was somewhat higher, the value in Canadian dollars was less, being influenced by a lower average value of the United States dollar in Canada. This item, it should be noted, does not precisely coincide with production as changes in stocks are excluded, such as those held in safe-keeping at the Mint for the account of mines. The item since November 1, 1951 has reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April 1956 have been relatively small sales, by mines not receiving financial assistance from the government, to non-residents or residents either for export or safe-keeping in Canada. The latter change followed removal of the remaining

restrictions on the sale of gold in Canada or elsewhere announced by the Minister of Finance in March, 1956.

As statistics of merchandise trade generally cover movements of goods through customs channels there are included some transactions which are either not relevant for balance of payments purposes such as settlers' effects or which are covered in other items in statements of the balance of payments such as tourist imports. When used in the latter statements it is therefore necessary to adjust the regularly published statistics of the Trade of Canada for this special purpose. The extent of these adjustments is shown in statement 6. In both 1956 and 1957 the net deductions from the Trade Statistics did not vary greatly but the effect of the adjustments was to reduce significantly the deficit on merchandise account by $114 million and $110 million respectively from that shown in statements of the Trade of Canada. The nature of some of the adjustments is indicated by the headings of items shown in Statement 6. In addition there were significantly variable adjustments included in arriving at the item "all other adjustments" covering transactions on defence account and purchases of ships and aircraft.

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1951-1957

Account	1951	1952	1953	1954	1955	1956	1957	Change in 1957
	millions of dollars							
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,837	4,909	+ 72
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,565	5,488	- 77
Balance on merchandise trade	**- 147**	**+ 489**	**- 58**	**+ 13**	**- 211**	**- 728**	**- 579**	**+149**
Gold production available for export	+ 150	+ 150	+ 144	+ 155	+ 155	+ 150	+ 147	- 3
Travel expenditures	- 6	- 66	- 63	- 84	- 121	- 161	- 162	- 1
Interest and dividends	- 335	- 268	- 239	- 276	- 323	- 381	- 444	- 63
Freight and shipping	- 3	+ 8	- 56	- 43	- 17	- 45	- 75	- 30
Inheritances and migrants' funds	+ 7	- 9	—	- 5	- 19	- 16	+ 2	+ 18
All other current transactions	- 183	- 140	- 171	- 192	- 162	- 185	- 289	-104
Balance on non-merchandise transactions	**- 370**	**- 325**	**- 385**	**- 445**	**- 487**	**- 638**	**- 821**	**-183**
Current account balance	- 517	+ 164	- 443	- 432	- 698	-1,366	-1,400	- 34

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

Travel Expenditures

The deficit on travel account between Canada and other countries in 1957 remained at the level of some $162 million in 1956 as both receipts and payments rose by corresponding amounts. This stability in the balance of expenditures contrasts with increases which occurred in each earlier year since a deficit first appeared in 1951 and with the balance of receipts characteristic before that year. The rise in receipts from non-resident travel expenditures in Canada was greater than in any recent year, while the rate of increase in Canadian travel expenditures abroad was less than has been the case for many years even though these outlays rose to $525 million from $498 million in 1956.

The rise in receipts from $337 million to $363 million was distributed between travellers from the United States and overseas, with $16 million more receipts in 1957 from the United States and $10 million more from overseas. The latter increase represents a relatively quite substantial rise and includes enlarged revenues of Canadian companies in the field of international transport as well as expenditures on travel in Canada by overseas visitors. During part of the year United Kingdom travellers were permitted to travel in Canada under a basic travel ration of £100 in contrast to the long period of years when this was not available. The rise of 5 per cent in expenditures by visitors from the United States is appreciable in comparison with the relative stability of these expenditures in the two preceding years. As the number of longer term visitors from the United States was up only slightly, the increase was chiefly due to larger per capita spending in a year of high incomes and consumption in the United States. The premium on the Canadian dollar which was high during the season peak travel was again considered by many to be a deterrent to long visits.

Canadian expenditures on travel overseas again rose at a higher rate than expenditures in the United States, but the 14 per cent increase in expenditures overseas to $122 million is less than the rise of 24 per cent in 1956. The level of these expenditures was in 1957 more than twice as high as the level as recently as 1953 and has been growing much

more rapidly than corresponding expenditures on travel overseas by residents of the United States. In 1957 about $95 million was spent in Europe or paid to European carriers and the total was fairly evenly divided between the United Kingdom and the other OEEC countries with more rise during the year in the latter portion. Travel to Europe includes many newcomers to Canada returning home to visit friends and relatives, and surveys of this traffic disclose that this factor tends to hold down the average expenditures of many. Travel expenditures in the Rest of the Sterling Area including Bermuda and the British West Indies rose to $11 million in 1957, and in other countries including Latin America and Hawaii the total has risen to $16 million.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948-1957

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
	millions of dollars								
1948	267	113	+154	12	21	− 9	279	134	+145
1949	267	165	+102	18	28	−10	285	193	+ 92
1950	260	193	+ 67	15	33	−18	275	226	+ 49
1951	258	246	+ 12	16	34	−18	274	280	− 6
1952	257	294	− 37	18	47	−29	275	341	− 66
1953	282	307	− 25	20	58	−38	302	365	− 63
1954	283	320	− 37	22	69	−47	305	389	− 84
1955	303	363	− 60	25	86	−61	328	449	−121
1956	309	391	− 82	28	107	−79	337	498	−161
1957	325	403	− 78	38	122	−84	363	525	−162

In the case of Canadian expenditures on travel in the United States the rise of some 3 per cent to the new peak of $403 million was more moderate than for some years. The increase was again in higher expenditures of Canadians travelling by automobile with more persons travelling to the United States by that means. Travellers by other means of transportation declined significantly in number but their expenditures were about the same as in the previous year. While increases occurred in travel by plane and bus, there were greater declines in travel by rail and boat. There was little change in purchases of merchandise declared under the $100.00 customs exemption privilege with these continuing to represent some 18 per cent of the total amount spent by Canadians while travelling in the United States.

Income Account

The deficit on account of interest and dividends again rose sharply in 1957 to a new peak of $444 million from $381 million in 1956. This reflects a rapid rise from the lowest post-war deficit of $239 million which occurred in 1953 and compares with a previous peak of $384 million for 1950. This balance of payments was also much higher in 1957 than at any earlier time comparing with $289 million in 1930 which was the highest deficit in any inter-war year. While strong factors have been at work increasing payments rapidly, this has not been the case with receipts of interest and dividends which have been relatively stable apart from some special circumstances described below.

The rising volume of investments of non-resident capital in Canada has been the chief influence upon the growth in payments. Until 1956 this influence was shown chiefly in the rapid increases in dividends and profits as interest on Canadian bonds and debentures was relatively stable in total between 1954 and 1956. But in 1957 some of the net effect of Canadian borrowing through the sale of new issues of Canadian bonds was shown in a rapid rise in payments of interest to non-residents. Interest actually paid during the periods rose from $128 million in 1956 to $154 million in 1957, but, of course, the interest payable on borrowings in 1957 was only partly included in payments in that year. Annual amounts of interest payable on borrowing up to the end of 1957 were therefore considerably higher than the actual payments in the year and not far below the totals payable in the period of peak interest payments which occurred between 1930 and 1932. In those earlier years payments ranged from $171 million to $180 million including some substantial premiums on United States dollars in part of that period in contrast to discounts on United States dollars acquired for payments in 1957. Borrowing subsequent to 1957 from the sale of new issues has added further to the interest bill. The rates of interest applying to the new bond issues which have been sold also have added to the size of the payments as these have been considerably higher than much of the external debt which was originally issued when interest rates were lower.

Dividends paid to non-residents on the other hand, had grown in 1957 to a level about twice that of 1947 and between two and three times that in

1937, and more than four times that in 1927. The rate of increase has been substantial in each of the three years from 1953 to 1957, being 11 per cent in the latter single year. Part of this increase arises from higher rates of return or larger remittances on some investments which have been in existence for over a long period. Another part comes from new portfolio investments in stocks of established public companies, while other dividends and profits arise from earnings on new direct investment after these reached a stage of profitability. But many of the new investments in branches and subsidiaries of recent years had not yet reached the stage of earnings sufficient for transfer by 1957.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-1957

Year	Account with United States					Account with United Kingdom					Account with All Countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
	millions of dollars														
1946	8	39	101	149	-203	1	6	21	33	-47	13	57	125	187	-242
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	59	107	320	-347	2	12	16	57	-59	38	104	128	395	-381
1957	27	64	129	357	-395	2	8	17	61	-68	44	105	154	439	-444

And with many of the established direct investments earnings were retained in Canada for corporate reasons and therefore not included as balance of payments transfers. These potential transfers might be used in Canada for a variety of corporate purposes usually connected with expansion or high levels of business. In 1956 the direct investment earnings retained in Canada are estimated to have been some $435 million, or substantially larger than the remittances of $309 million in the form of dividends, profits, and bond interest in that year on direct investments. And again in 1957 when remittances by this group of companies rose to an estimated $342 million retained earnings appear from available data to have been still large in relation to remittances, although less than in the previous year. The above totals remitted on direct investments are chiefly comprised of dividends with only a small amount of interest on bonds held by parent companies. Dividends paid by Canadian companies to non-residents on portfolio investments in stocks rose from $94 million in 1956 to an estimated $106 million in 1957, both figures being considerably higher than in any earlier post-war year.

Receipts of interest and dividends at $149 million were slightly higher in 1957 than in 1956. The level in both years was considerably less than earlier because of the deferment of some $23 million of interest on the 1956 loan to the United Kingdom in both years. Receipts of other interest in 1957 were slightly higher reflecting higher interest rates on United States bonds. There was little change in the total receipts of dividends as higher dividends from direct investments in the United States were partly offset by reduced receipts from direct investments in the United Kingdom.

In addition to the above deficit of $444 million on account of interest and dividends there was a deficit of $26 million from miscellaneous income transactions bringing the net payments on account of all investment income transactions to $470 million. The deficit from miscellaneous income transactions was much larger than in 1956 when payments exceeded receipts by $10 million. The principal change increasing the deficit was a rise of $18 million in this group of payments to a total of $82 million. This rise was chiefly concentrated in remittances of profits by non-resident insurance companies in Canada. Other substantial payments which continued at levels close to the previous year included remittances of income by trust companies, interest on mortgages in Canada and interest on loans and advances to subsidiaries by parent companies abroad. Receipts of miscellaneous income were only slightly higher and included transfers to home offices of Canadian financial institutions of earnings from outside of Canada, as well as other income not included elsewhere.

It is notable that the amount of income remitted to non-residents has not risen as much as the rise in investments in the post-war period. Between 1946

and 1957 payments of interest and dividends have risen by $281 million from $312 million to $593 million while between the beginning of 1946 and the beginning of 1957 the value of foreign investments in Canada rose $8.5 billion from $7.1 billion to $15.6 billion with a further rise of $1.5 billion in 1957. Similar comparisons over more recent periods show an even greater lag in income remittances in relation to the great expansion in foreign investments in Canada. The disparity between growth in investment and in income is concentrated in the field of direct investments. Income remitted abroad on direct investments between 1946 and 1957 is a little more than double, rising by $195 million from $147 million in 1946 to $342 million in 1957. In contrast the value of direct investments in Canada had more than tripled even by the beginning of 1957 with a further sharp rise during 1957. Some of the reasons for the failure of income remittances to keep pace relatively with the rise in investments have been referred to above. Besides the lags in income remittances there are now larger amounts of earnings retained in Canada than in early post-war years. When account is taken of retained earnings the apparent total earnings of non-residents on all investments in Canada (including interest, dividends, and miscellaneous investment income remitted) were again in the neighbourhood of $1 billion as in 1956. In the early post-war years the apparent total earnings were less than one-half this amount.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1952-1957

Item	1952	1953	1954	1955	1956	1957
	millions of dollars					
Receipts by Canada						
Ocean shipping:						
Canadian operated ships:						
Gross earnings on exports	56	58	61	78	76	68
Charter receipts	13	7	3	9	20	20
Revenues between foreign ports	33	17	18	28	40	35
Sub-total	102	82	82	115	136	123
Expenditures of foreign ships in Canada	43	41	35	45	48	42
Gross shipping receipts	**145**	**123**	**117**	**160**	**184**	**165**
Inland freight on exports	201	161	159	185	204	194
Intransit revenues	29	29	29	32	33	31
Other receipts	8	5	8	21	36	41
Gross receipts (Table 1, item A6)	**383**	**318**	**313**	**398**	**457**	**431**
Payments by Canada						
Ocean shipping:						
Expenditures abroad of Canadian shipping companies and charter payments	64	60	67	95	104	108
Freight on imports via Canadian ports	71	75	66	77	105	110
Gross shipping payments	**135**	**135**	**133**	**172**	**209**	**218**
Inland rail freight in U.S. on imports:						
Coal via vessel	48	48	39	40	53	50
Coal via rail	33	26	22	20	25	16
Other rail freight	117	121	112	121	143	142
Sub-total	198	195	173	181	221	208
Miscellaneous payments	42	44	50	62	72	80
Gross payments (Table 1, item B6)	**375**	**374**	**356**	**415**	**502**	**506**

Freight and Shipping Transactions

The deficit from freight and shipping transactions rose from $45 million to $75 million in 1957 as a result of a falling off in receipts and a slight gain in payments. This is a larger deficit than in any earlier year and contrasts with surpluses characteristic of the early post-war years when there was a large merchant marine owned in Canada and a smaller volume of imports.

A decline in receipts of $26 million was both from the earnings of Canadian operated ships and from inland freight on exports. A smaller Canadian-owned merchant marine accounts for part of this decline as further ships were sold during the year and some vessels were not operated during the whole year because of labour disputes. An important contributor to the remaining earnings continued to be earnings of Canadian operators chartering vessels from other countries. But in connection with these operations there are large outlays abroad for time charters and other purposes. Receipts from inland rail freight on exports were lower from both United States and overseas with a changing composition of commodity exports. But there was a further gain of pipeline earnings on exports of petroleum and earnings on the transportation of iron ore by inland waterways continued around the level of the previous year.

There was only a slight rise in total payments for international transportation. Most groups of payments were higher except for freight on coal which was significantly less with a drop in imports of this commodity. There were larger expenditures abroad from time charters for tankers and dry tonnage and from other shipping outlays. There was also an increase in ocean freight paid on Canadian imports with a larger volume of imports from overseas countries, and generally higher liner rates on some principal routes to Canada. On the other hand voyage charter rates on average were considerably lower than in the previous year. Payments to United States railways on imports continued close to the level of 1956, while there were increased outlays for other types of transportation in the United States, including pipe line charges.

Inheritances and Migrants' Funds

As a further increase occurred in receipts of immigrants' funds in 1957 there was a small surplus of $2 million on account of inheritances and migrants' funds in contrast to a deficit of $16 million in 1956 and deficits in other years since 1951.

The sharp expansion in immigration to Canada gave rise to the largest change. Immigration amounting to some 282,000 persons was at a post-war peak, having risen from some 165,000 persons in the previous year. About one-half the increase in numbers was from the United Kingdom with the remaining increase being mainly divided between Northern Europe and elsewhere. A considerable number of the latter group were refugees from Hungary. In addition an increased number of Canadians returned from the United States. As a result of these diverse movements of people there was an increase in transfers of migrants from all parts of Canada to an amount estimated at over $100 million, a rise of some 30 per cent over the 1956 level, bringing the total of receipts from migrants and inheritances to $124 million, about one-quarter larger than 1956 and even higher above any earlier post-war year.

There was also a rise in the volume of immigration from Canada to the United States and overseas which led to increases in outflows of funds, more moderate however, than increased receipts from immigration.

Miscellaneous Current Transactions

The deficit from miscellaneous current transactions widened to $289 million in 1957 following a deficit of $185 million in 1956, which had been higher than in any earlier year except 1954. This substantial change was the result of dual changes: a drop of about 10 per cent in receipts, and a rise of about some 9 per cent in payments. Almost two-thirds of the rise in the net deficit came from a sharp decline in the surplus from transactions on government account, but each of the other groups of transactions showed a larger deficit as well.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1956 and 1957

Item	1956			1957		
	Receipts	Payments	Balance	Receipts	Payments	Balance
	millions of dollars					
Official contributions	–	30	- 30	–	37	- 37
Government transactions, n.o.p.	219	139	+ 80	160	146	+ 14
Personal and institutional remittances	23	79	- 56	24	83	- 59
Miscellaneous income[1]	54	64	- 10	56	82	- 26
Business services and other transactions	146	315	-169	155	336	-181
Total (Table 1, items A11 and B9, 11)	**442**	**627**	**-185**	**395**	**684**	**-289**

[1] Including transfers of branch profits by insurance companies and banks.

At $14 million the surplus from government transactions was less than in any year since 1954. The reduced surplus was mainly the result of a lower level of expenditures in Canada on defence establishments and installations by the United States Government. At the same time expenditures of the Canadian Government abroad, apart from contributions, and military procurement were slightly higher at $146 million. Some two-thirds of the latter figure is represented by expenditures on defence account, chiefly in Europe. Included in the item is the cost of maintaining the Canadian military brigade and air force squadrons in Western Europe forming part of Canada's share of the NATO force, and also the Canadian share of the United Nations' force in the Middle East.

Canada's contribution of Mutual Aid to NATO countries of $107 million in 1957 is additional to the above expenditures and is shown in separate offsetting items of the annual statements of the current account. This aid continued to be made up of military equipment and supplies shipped to Canada's NATO partners and the provision of train-

ing to NATO aircrews in Canada. Both types of aid were less than in the previous year. In the period since 1950 when this form of aid was introduced up to the end of 1957 the total actually extended has been in excess of $1,400 million. Because of the special character of this military assistance Mutual Aid to NATO countries has not been reflected in current account balances. Amounts of similar size are entered in current receipts to cover the export of goods and services and in current payments to represent the contributions in current account statements with all countries. These special exports do not appear in regular statistics of Canadian trade with Canada's NATO partners, nor in balance of payments statements with individual countries or groups of countries.

On the other hand exports of Canadian goods to countries receiving assistance under the Colombo Plan are included in export statistics and entries appear in the special item of current debits representing Official Contributions for this and other types of official economic aid. Official Contributions in 1957 amounted to $37 million compared with $30 million in 1956. Most of this covered the provision of commodities, equipment and services to countries in South and South East Asia which are financed out of Canada's contribution under the Colombo Plan. The largest amounts during the year went to Pakistan and India, with smaller amounts to Ceylon and Malaya and to other countries outside the Commonwealth. There was also technical assistance under the Colombo Plan to a larger group of countries. Other forms of aid including Canadian assistance through various international organizations as well as some more direct forms of aid from Canada made up a small part of the total and were chiefly to countries outside of the Commonwealth. Direct expenditures by the Canadian Government on assistance to Hungarian and other immigrants coming to Canada are covered elsewhere among government expenditures.

Personal and institutional remittances have been resulting in larger deficits in recent years. In 1957 the excess of payments over receipts is estimated at $59 million which is slightly larger than in the previous year and considerably larger than in the early post-war years. One important factor influencing the growth in payments has been the large volume of immigration in recent years with the close personal ties with overseas countries which this brings.

The item "business services and other transactions" included in the miscellaneous account continued to expand in 1957 and resulted in a deficit of some $181 million compared with $169 million in 1956, when all these transactions are grouped together. Underlying influences behind the growth in this group of expenditures include high levels of business activity and the exceptional amount of investment in Canada. With so much new investment in Canada in the direct investment category there have been large elements of cost for the initial investments which have been incurred in the United States particularly for non-resident engineering and technical services used in the projects. And subsequently with the establishment of the direct investments there are usually appreciable head office expenses incurred in operations.

The range of items covered in this group of transactions is very wide but may broadly be described as business and personal services. Some of the largest groups of these transactions are those between the branch and subsidiary companies and head offices and affiliated companies as already noted. These transactions cover, among other items, such head office charges as those for administration and management, engineering, research and advertising. This group of payments to home offices is very large and in recent years reported payments have been rising and are now well in excess of $100 million per year. There is also a great variety of payments for services between unrelated parties for the many commercial, financial and professional services forming a part of Canada's business life where one party is a resident of the United States or overseas. Included are such items as royalties, copyrights, advertising, engineering and technical services, and commissions, to mention only a few. Earnings of migrant labour and international commuters also are entered in this account and there are large entries for the international expenditures of airlines and other transportation expenses not forming part of the freight and shipping account Some international insurance transactions are also included in the item of business services but these are not relatively large and are chiefly offsetting as most insurance transactions affecting the balance of payments are covered under miscellaneous income in the case of profit transfers and among security transactions in the case of capital movements.

Miscellaneous income transactions resulted in net payments of $26 million in 1957 compared with $10 million in 1956. The composition of these transactions is described above in the note on the Income Account.

Capital Movements

Summary

Capital investment in Canada for the year 1957 as a whole was even higher than the unprecedented levels of 1956. This coupled with generally high levels of economic activity, gave to 1957 many of the characteristics of 1956 discussed in last year's report. Canada drew substantially on the resources, real and financial, of the rest of the world. But whereas the earlier year was one of mounting pressures, 1957 saw some general tendencies toward moderation, as some forms of investment declined during the year. For the year as a whole capital movements were not dissimilar.

The current account deficit and, naturally, the net import of capital to finance it, approached $1.4 billion in each year. The magnitudes of the various forms of capital imported were broadly similar

although as will be seen imports of equity capital represented a somewhat smaller proportion of the total in 1957. Direct investment inflows were somewhat smaller than in 1956, and net sales of Canadian equities to portfolio investors were also smaller. Borrowing in the form of funded debt, on the other hand, was larger.

For the year as a whole the inflow for direct investment is placed at $520 million. Transactions in Canadian securities led to a further inflow of $747 million, which included $175 million of equities. These two groups of transactions added $1,267 million to Canadian external liabilities in long-term forms; in 1956 the corresponding total was $1,308 million. On the long-term asset side there were outflows of $65 million for direct investment abroad, but inflows of $19 million and $50 million, respectively, occurred from transactions in foreign securities and repayments on loans by Canadians. Transactions in the long-term forms described above together with those appearing in statement 15 led to a net capital import of $1,307 million, which was about 8 per cent below the figure of $1,423 million recorded for 1956. Including inflows from a reduction in official holdings of gold and foreign exchange, offset to some extent by a reduction of holdings of Canadian dollars by non-residents, other capital movements led to a net capital inflow of $93 million compared with an outflow of $57 million in 1956.

Capital movements in long-term forms were sufficient to finance on balance more than 93 per cent of the current account deficit in 1957. In 1956 they were greater than the deficit by about 4 per cent. In 1955 they covered less than 60 per cent of the current account deficit, but in each prior post-war year of current account deficits, capital imported in long-term forms exceeded the deficit to be financed.

The movement of capital in long-term forms from the United States was practically the same in 1957 as in 1956, but the movement from the United Kingdom and other overseas countries fell by some 20 per cent and the share of the United States rose from about 68 per cent to 73 per cent.

Direct Investment in Canada

The net movement of capital to Canada for direct investment in foreign-controlled enterprises in 1957 amounted to $520 million. This figure is $63 million below the record established in 1956, but is nearly $100 million higher than for any earlier year.

As in the past resource development and associated industries continued to attract the preponderant part of foreign direct investment capital. The decline in the total movement was to a considerable extent accounted for by smaller net inflows to manufacturing. Again in 1957 purchases by non-residents of interests in existing concerns represented a significant element in the inflow for direct investment, but they were larger both in absolute terms and relatively than in 1956.

The decline in the level of economic activity in Canada in 1957 was accompanied by a moderately declining rate of direct investment, but the fall was not large. Direct investment inflows had reached a peak of $181 million in the final quarter of 1956, but that total included several extraordinarily large transactions which could not have been expected to recur in 1957. Movements in the successive quarters of 1957 were $91 million, $163 million, $137 million and $129 million. The third quarter figure for 1957, which included some acquisitions by non-residents of existing investments, was the highest recorded for a third quarter during the period of eight years covered by official estimates. The second quarter figure was exceeded only in 1956, and the fourth quarter only in 1951 and 1956 in each of which major financing was carried out by one company in the closing months of the year to cover capital requirements in the following year.

The level of inflows from the United States, amounting in 1957 to $403 million was practically unchanged from the level of $406 million in 1956, but this capital of United States origin accounted for 78 per cent of the total direct investment inflows in 1957, in contrast to 70 per cent in the previous year. Capital from the United Kingdom amounted to $65 million, which was down about one-third from the total of $98 million for 1956, and capital from other overseas countries also dropped by about one-third from $79 million to $52 million. In assessing these declines, however, it should be borne in mind that the levels of 1956 were quite extraordinary, and if this year is excepted the inflows from the United Kingdom and from other overseas countries, taken as a group, were never higher.

Details of the post-war movements of capital for United States direct investment in Canada appear as usual in statements 12 and 12A which also indicate the magnitude of other factors contributing to the growth in the book value of these investments. Particularly noteworthy among these factors in both 1956 and 1957 has been the inflow of portfolio capital from the United States which added substantially to investment in United States controlled companies. New issues of bonds were the most important element of these inflows, although borrowings by finance companies also contributed significantly in 1956.

Direct investment inflows from the United Kingdom were directed largely to the petroleum industry, uranium, steel and aluminium. The inflows from other overseas countries included large amounts for petroleum, iron and steel, real estate and financial companies.

Considerable interest has been evident concerning the accrual to non-residents of undistributed profits of Canadian corporations. The "ploughing-

STATEMENT 12. United States Direct Investment in Canada, 1946-1957

Account	1946-1949[3]	1950	1951	1952	1953	1954	1955	1956	1957[4]	1946-1957
	millions of dollars									
Gross inflows of new capital:										
Petroleum and natural gas industry[1] ..	96	116	140	178	172	187	195	243	259	1,586
Mining n.i.e.	17	30	37	98	104	66	60	63	77	552
Pulp and paper	48	9	31	7	1	23	35	42	44	240
Manufacturing n.i.e.				71	52	41	77	108	110	
Utilities n.i.e.				2	6	2	9	2	4	
Merchandising n.i.e.	161	88	101	5	31	9	21	16	22	1,082
Financial				1	13	15	17	16	29	
Miscellaneous				2	4	7	9	16	15	
Sub-total	**322**	**243**	**309**	**364**	**383**	**350**	**423**	**506**	**560**	**3,460**
Return of capital	81	43	39	45	37	62	117	100	157	681
Net capital inflow for direct investment (Table I, item D1)	241	200	270	319	346	288	306	406	403	2,779
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises[2]	- 41	17	34	129	- 2	22	32	225	220	636
Net capital inflow	**200**	**217**	**304**	**448**	**344**	**310**	**338**	**631**	**623**	**3,415**
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	591	114	166	186[5]	332	271	391[5]	217[5]	213[6]	2,481
Net increase in book value (Table X.B)	**791**	**331**	**470**	**634**	**676**	**581**	**729**	**848**	**836**	**5,896**

[1] Exploration, development, refining, transportation, distribution and marketing.
[2] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[3] For annual detail see statement 12, The Canadian Balance of International Payments 1956 and International Investment Position.
[4] Preliminary.
[5] This figure is affected by unusually large reclassifications between direct and portfolio investments.
[6] Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross business fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12A. Additional Detail of United States Direct Investment in Canada, 1956 and 1957

	1956					1957				
	Direct investment transactions			Other capital movements[2]	Net capital inflow	Direct investment transactions			Other capital movements[2]	Net capital inflow
	Inflows	Outflows (-)	Net inflow			Inflows	Outflows (-)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry[1]	243	- 22	221	130	351	259	- 22	237	131	368
Mining, n.i.e.	63	- 19	44	13	57	77	- 16	61	18	79
Pulp and paper	42	- 5	37	1	38	44	- 15	29	- 9	20
Manufacturing, n.i.e.	108	- 35	73	2	75	110	- 57	53	86	139
Utilities, n.i.e.	2	- 1	1	- 2	- 1	4	- 3	1	—	1
Merchandising, n.i.e.	16	- 8	8	—	8	22	- 20	2	- 3	- 1
Financial	16	- 2	14	83	97	29	- 15	14	- 3	11
Miscellaneous	16	- 8	8	- 2	6	15	- 9	6	—	6
Total	**506**	**-100**	**406**	**225**	**631**	**560**	**-157**	**403**	**220**	**623**

For footnotes see statement 12.

back" of earnings is a characteristic of corporate finance which extends as far back at least as the introduction of significant levels of income taxation. More than three-quarters of national savings in the years 1955 to 1957 were represented by business gross saving in the form of undistributed corporation profits and of capital consumption allowances, etc. (although the latter also include non-corporate "savings"). The retention of earnings accruing to non-residents on their investments in Canada adds both to the value of the investments and to subsequent earnings insofar as their employment is profitable. Retention of earnings on portfolio investments in Canada represents involuntary investment by the shareholders, although of course they will choose to dispose of their interests in a company if they are not satisfied with the investment and dividend policies which it adopts. Retention of earnings on direct investments, on the other hand, arises from the decision of the non-resident investors controlling the company and it is therefore closely akin to the introduction of additional capital from abroad. The decision whether to retain earnings in Canada is presumably dictated by the strengths of the needs of the company for funds for expansion in Canada or for corporate purposes elsewhere. To the extent that the company may have no immediate and pressing needs for the funds, the decision may be influenced by interest and exchange rate considerations. Effects on the corporation's overall tax position may also be important. These types of consideration are probably more important in the case of the subsidiary relationship typical of direct investment than to a public company whose dividend payments represent a final distribution of resources, and who may moreover wish to maintain a stable dividend rate. Dividend payment practices of direct investment companies in Canada have varied considerably over the post-war period. Over the years 1946 to 1949, about 58 per cent of earnings were paid out. In the period 1950 to 1955 the proportion paid out fell to 50 per cent, and for the two most recent years it was about 48 per cent.

STATEMENT 12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-1956

millions of dollars

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1946	120	1949	155	1952	290	1955	365
1947	125	1950	155	1953	340	1956	435
1948	160	1951	200	1954	300	1946-1956	2,645

The data currently collected do not permit detailed calculations of either total or retained earnings accruing to non-residents, but estimates of the total retained earnings accruing on all foreign direct investments year by year in the post-war period appear in statement 12B. Figures are not available separately by country (nor for Canadian direct investment abroad). For the eleven years from 1946 to 1956 the total is estimated at $2,645 million, which is not very different from the amount of income transferred. And it will be noted that the amounts have been rising rapidly. The figure for 1956 alone was $435 million, but in 1957 earnings were lower while dividend payments rose and it is clear that retained earnings dropped significantly in 1957. These figures do not include earnings retained on foreign portfolio investments in Canada, which in some recent years were approaching $100 million.

Although income remitted on direct investments and the earnings retained on them have both been rising rapidly, they have not been growing as rapidly as direct investment itself. This is undoubtedly not because the direct investments are in any sense less profitable, but because large amounts of the new capital invested in recent years, particularly in the petroleum industry, have not yet reached the stage of significant earnings. As a result, the overall earnings of these concerns have fallen from about 13 per cent of the book value in the period 1946 to 1949, to less than 10 per cent in 1956 and 1957.

Direct Investment Abroad

The net outflow of capital from Canada for direct investment abroad amounted in 1957 to $65 million. This figure is down sharply from the $104 million recorded in 1956 when there were a number of major transactions involving the acquisition of Canadian interests of control over existing enterprises abroad. Canadian capital was invested in a wide range of activities in manufacturing, mining, merchandising and real estate development.

Summary of Transactions in Portfolio Securities

Portfolio security transactions were a dominating feature of the international capital account again in 1957, and were broadly similar in both magnitude and character to the movements which occurred in 1956. The net import of capital arising from all transactions in portfolio securities reached

$766 million in 1957, surpassing the total of $727 million for the previous year. Both these figures are more than twice as large as the previous record net inflow established in 1950. The net movement in 1957 included $94 million from trade in outstanding Canadian issues, and $790 million from the sale to non-residents of new Canadian issues, offset to the extent of $137 million by retirements of foreign-held Canadian securities. A net inflow of $19 million occurred, on balance, from transactions in foreign securities.

The United States supplied some $563 million of the net movement in 1957, compared with $499 million in the previous year. The movement from the United Kingdom was $129 million, slightly larger than the total of $121 million for 1956. The inflow from other overseas countries was $74 million, down sharply from the figure of $107 million in 1956. But although the net movement from the United Kingdom and other overseas countries, amounting to $203 million, was some $25 million below the movement in 1956, it will be recalled that the inflow in that year was extraordinarily large and compared with $33 million in 1955 and with an earlier post-war record of $48 million in 1954.

In common with many other economic series, the annual aggregates for 1956 and 1957 concealed a change in trend. The net inflow rose from $291 million in the first half of 1956 to $436 million in the second. It continued to climb to $574 million in the first half of 1957, and then contracted sharply to $192 million in the last half of the year.

The tremendous volume of international security movements which occur between Canada and other countries will be evident from the fact that gross transactions in 1957 totalled $3.0 billion. This turnover was $0.2 billion lower than in 1956, but $0.3 billion higher than in 1955.

Additional comment and statistical detail on international movements of portfolio capital, including quarterly figures of new issues and retirements classified by debtor, will be found in the monthly series of DBS reports covering "Sales and Purchases of Securities between Canada and Other Countries," particularly the December issue which contains an annual review.[1]

Transactions in Outstanding Canadian Securities

Trade in outstanding Canadian issues was dominated again in 1957 by the sale to non-residents of Canadian common and preference stocks. The net capital import in this form amounted to $137 million. Unlike the three preceding years when successive new records of $129 million, $138 million, and $188 million were established, the balance in 1957 reflected a reduction of more than one quarter from the previous year, but it will be noted that it fell only $1 million short of the earlier record. The inflow rose from $29 million in the final quarter of 1956 to $40 million, $47 million, and $43 million for the first three quarters of 1957 respectively, but it then declined to only $7 million, which was the lowest level since 1953.

In contrast to the net sales of outstanding common and preference stocks, net repurchases of outstanding Canadian bonds and debentures were recorded in 1957. The net repatriation amounted to $43 million, an outflow which might be compared with the inflow of $11 million which occurred in 1956. The movement in 1956 was, however, exceptional. In that year, a substantial sales balance in the first quarter had led to a net annual inflow although there had been substantial repurchases in each earlier year since 1950. Repatriation of outstanding issues occurred in each quarter of 1957, but the balances were larger in the last half of the year when the quarterly totals were each larger than for the first half of the year as a whole. There were on balance net repurchases of each of the debtor classes shown in statement 13.

Substantial repurchases from the United States of outstanding Canadian bonds and debentures, some no doubt for sinking fund purposes, led to a net capital outflow to that country of $68 million which was offset only to the extent of $4 million by net sales of outstanding Canadian stocks. Corporate bonds accounted for $33 million of the outflow, provincial government issues for a further $18 million, and Government of Canada direct and guaranteed issues for $15 million. The net outflow of $64 million to the United States was in sharp contrast to the results of security trading in 1956 when net sales of $69 million of Canadian stocks and net repurchases of $35 million of outstanding bonds or debentures led to a net inflow of $34 million.

The group of eight special investment funds described in earlier reports continued to play an important part in trade in outstanding securities between Canada and other countries. Sales to them during the year of Canadian securities, mainly common stocks, are estimated to have amounted to some $80 million, although as the result of declines in stock prices the market value of their holdings rose only a fraction of this amount. It is apparent therefore that on balance there was a substantial liquidation of holdings of Canadian stocks by other United States investors.

The United Kingdom was the area of the largest net sales of outstanding Canadian securities in 1957. The net capital import from these transactions reflecting entirely Canadian common and preference stocks, amounted to $88 million. This was an increase of $5 million over 1956, and a record for transactions in outstanding securities with that country since the commencement of regular official statistics. The inflows amounted to $28 million and $45 million in the first and second quarters of the year respectively, but fell to $12 million and $3 million in the succeeding quarters. While it will be

[1] Due to revisions the figures in this report will in some cases differ from those included in the earlier publication.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1956 and 1957

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1956	1957	1956	1957	1956	1957	1956	1957
	millions of dollars							
By Type of Security								
Bonds and debentures:								
Government of Canada, direct	+ 14	− 7	+ 9	+ 16	− 50	− 8	− 27	+ 1
Government of Canada, guaranteed	− 8	− 8	—	—	− 33	− 29	− 41	− 37
Provincial government (including guaranteed)	− 11	− 14	+224	+136	− 15	− 26	+198	+ 96
Municipal government	+ 2	− 1	+112	+122	− 18	− 24	+ 96	+ 97
Railways, not guaranteed by government	—	− 4	—	—	− 2	− 5	− 2	− 9
Other corporations	+ 14	− 9	+252	+453	− 18	− 20	+248	+424
Sub-total: Bonds and debentures	**+ 11**	**− 43**	**+597**	**+727**	**−136**	**−112**	**+472**	**+572**
Common and preference stocks	+188	+137	+ 70	+ 63	− 5	− 25	+253	+175
Total (Table 1, items D3, 4, 5)	**+199**	**+ 94**	**+667**	**+790**	**−141**	**−137**	**+725**	**+747**
By Country								
United States	+ 34	− 64	+601	+714	−133	−109	+502	+541
United Kingdom	+ 83	+ 88	+ 36	+ 60	− 2	− 21	+117	+127
Other Sterling Area Countries	—	—	—	—	—	—	—	—
Other OEEC Countries	+ 85	+ 75	+ 30	+ 16	− 4	− 7	+111	+ 84
Other Countries	− 3	− 5	—	—	− 2	—	− 5	− 5
Total (Table 1, items D3, 4, 5)	**+199**	**+ 94**	**+667**	**+790**	**−141**	**−137**	**+725**	**+747**
By Quarter								
First quarter	+ 75	+ 30	+112	+264	− 71	− 41	+116	+253
Second quarter	+ 40	+ 44	+176	+296	− 23	− 23	+193	+317
Third quarter	+ 68	+ 28	+179	+142	− 25	− 45	+222	+125
Fourth quarter	+ 16	− 8	+200	+ 88	− 22	− 28	+194	+ 52
Total (Table 1, items D3, 4, 5)	**+199**	**+ 94**	**+667**	**+790**	**−141**	**−137**	**+725**	**+747**

recalled that security markets weakened generally in the last half of the year, it should also be noted that in July changes were made in the foreign exchange control arrangements of the United Kingdom which reduced the facility with which residents of that country could add to their holdings of dollar securities. It is again worth noting that security sales to residents of the United Kingdom do not necessarily reflect current outflows of capital from that country. For example, it is possible that some transactions represent switching by United Kingdom investors between their holdings of United States (and other dollar) securities and of Canadian securities. Moreover, some transactions attributed in Canada to residents of the United Kingdom may be to nominees for non-residents of that country.

Transactions in outstanding Canadian securities with other overseas countries led to a net capital inflow of $70 million compared with the peak of $82 million established in 1956. The inflow in 1957 was however the second highest on record and was well above the next largest inflow of $42 million which occurred in 1954. The movement reflected net sales of $45 million of Canadian stocks, and $25 million of Canadian bonds, including $18 million of corporate issues.

New Issues and Retirements of Canadian Securities

There continued to be strong demands in the Canadian capital market during 1957 as a whole and relatively high interest rates led to substantial capital inflows. The proceeds of new issues of

STATEMENT 13A. New Issues of Canadian Bonds and Debentures Sold to Residents of the United States

	I Q 1957	II Q 1957	III Q 1957	IV Q 1957	1957
	millions of dollars				
Sales contracts entered into during period	277	259	66	51	653
Add sales in earlier periods for delivery in period	71	60	77	27	109
Deduct sales in period for delivery later	−125	− 52	− 20	− 2	− 73
Proceeds of new issues during period (included in Table I, item D4)	223	267	123	76	689

Note: Since the details of all contracts are not available, the deferred deliveries shown are in all probability somewhat underestimated.

Canadian securities sold to non-residents again set a new record in 1957, amounting to $790 million, an increase of $123 million over the previous record established in 1956. In each year about 90 per cent of the inflow was from the United States. Sales to residents of the United Kingdom of $60 million were up sharply while those to other European countries were down sharply from 1956. About 90 per cent of the new issues of Canadian bonds and debentures sold to non-residents were payable solely or optionally in foreign currencies. As will be seen from statement 13 nearly two-thirds of the sales were to provide debt or equity financing for Canadian corporations and the balance was attributable largely to the operations of provincial and municipal governments.

Sales of new issues to non-residents were heavily concentrated in the first half of the year during which $560 million or some 70 per cent of the inflow occurred. A peak of $296 million was reached in the second quarter, and there was a rapid decline to less than a third of this amount in the final quarter of the year.

A feature which may be of some importance in the interpretation of the quarterly estimates is the extent to which it is valid to relate capital movements to the conditions existing concurrently in international capital and exchange markets. Statement 13A provides an estimate of contracts entered into for the sale of new Canadian bonds and debentures to residents of the United States. It shows that while deliveries during the year, as used in the balance of payments, amounted to $689 million, sales contracts were only $653 million, as there occurred a reduction of $36 million in the amounts of sold but undelivered securities. The differences are of course relatively more important in shorter periods. The proceeds of new issues in the third quarter of 1957, some $123 million, greatly exceeded the sales of $66 million in this period. And again in the fourth quarter of the year deliveries of $76 million were considerably in excess of the sales of $51 million.

The fact that proceeds of new issues may be made available to borrowers only many months[1] following agreement as to terms means that the precise and detailed correlation of capital movements and market conditions is a matter requiring considerable caution. Furthermore the delivery data which are appropriate for statements of the balance of payments do not necessarily reflect the timing of the impact of the transactions on the exchange market. Proceeds are in some cases retained in foreign currency for extended periods either awaiting exchange market conditions considered more suitable to transfer, or awaiting import to Canada in the form of capital goods, etc., financed by drawing down the foreign exchange balances. On the other hand impact of the transfer on the exchange market may precede the actual borrowings either through forward sales of exchange by the borrower or through the market as a whole itself discounting the impending transaction.

Retirements of foreign-held Canadian securities amounted to $137 million. Details appear in statement 13.

Transactions in Foreign Securities

The net capital import from the liquidation of Canadian holdings of foreign securities amounted to $19 million in 1957. This was the largest such movement since 1950. Trading in outstanding foreign

[1] In at least one instance financing arranged in the first half of 1956 called for deliveries extending into 1958.

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1956 and 1957

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1956	1957	1956	1957	1956	1957	1956	1957
	millions of dollars							
By Type of Security								
Foreign bonds	—	−14	−13	−16	—	+ 5	−13	−25
Foreign common and preference stocks	+20	+51	− 5	− 7	—	—	+15	+44
Total (Table I, items D6, 7, 8)	**+20**	**+37**	**−18**	**−23**	**—**	**+ 5**	**+ 2**	**+19**
By Country								
United States	+10	+33	−13	−15	—	+ 4	− 3	+22
United Kingdom	+ 4	+ 2	—	—	—	—	+ 4	+ 2
Other Sterling Area	—	—	—	—	—	—	—	—
Other O.E.E.C. Countries	+ 6	+ 2	—	− 4	—	—	+ 6	− 2
Other Countries	—	—	− 5	− 4	—	+ 1	− 5	− 3
Total (Table I, items D6, 7, 8)	**+20**	**+37**	**−18**	**−23**	**—**	**+ 5**	**+ 2**	**+19**
By Quarter								
First quarter	−18	−10	− 2	− 4	—	+ 1	−20	−13
Second quarter	+ 8	+19	− 6	− 4	—	+ 2	+ 2	+17
Third quarter	+ 8	+17	− 4	− 8	—	+ 1	+ 4	+10
Fourth quarter	+22	+11	− 6	− 7	—	+ 1	+16	+ 5
Total (Table I, items D6, 7, 8)	**+20**	**+37**	**−18**	**−23**	**—**	**+ 5**	**+ 2**	**+19**

securities led to a capital inflow of $37 million; Canadians sold foreign stocks, mainly United States, for $51 million, but purchased on balance $14 million of foreign bonds. A further net inflow of $5 million occurred from retirements of foreign bonds and debentures held by Canadians. Against these inflows there were outflows of $23 million covering purchases by Canadians of new issues of foreign securities. Details of these transactions appear in statement 14.

Loans by Government of Canada

Repayments of principal on the interest free loan of 1942 to the United Kingdom and on the post-war loans extended to various overseas governments during the years 1945 to 1950, amounted to $50 million in 1957, compared with $69 million in 1956. The Government of the United Kingdom repaid regular instalments totalling $30 million on the loan of 1942 but, in accordance with the modification of terms agreed upon early in 1957, elected to defer the 1957 repayment of principal on the 1946 loan. This action accounted for $15 million of the decline in receipts from 1956. Repayments totalling $20 million were made by Belgium, Czechoslovakia, France, The Netherlands, and Norway. The repayment by Czechoslovakia was the final instalment due from that country. Interest in the amount of $10 million was received on these loans during 1957, and appears in the current account as a part of interest and dividends received.

At the end of 1957 the outstanding balances on war and post-war loans of $2,450 million extended by Canada amounted to $1,481 million. The loans outstanding included a balance of $30 million on the interest-free loan of $700 million made in 1942 to the United Kingdom; this was scheduled to be fully repaid by the end of 1958. The credit originally extended to the United Kingdom under the 1946 loan was $1,185 million, and subsequent principal repayments have reduced the outstanding balance to $1,097 million. Post-war loans outstanding to other governments under Part II of the Export Credits Insurance Act, etc. amounted to about $354 million. There was in addition $34 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1957 payments were overdue on the intergovernmental loans made in the inter-war years and on the post-war loan to China. These inactive loans amounted to $80 million out of the total of $1,515 million outstanding.

Change in Canadian Dollar Holdings of Foreigners

An outflow of capital from Canada occurred in 1957 from a reduction of $34 million in the holdings of Canadian dollars by non-residents. This outflow followed a similar capital withdrawal in the amount of $24 million in 1956, but there were inflows in each of the two preceding years. The largest part of the decline occurred in holdings of the United Kingdom which fell by $18 million; it will be recalled that at the end of 1956 holdings of that country included $22 million set aside to cover interest payable on the 1946 loan from Canada, payment of which was subsequently deferred. Holdings by residents of each of the other areas for which separate balance of payments statements are constructed also declined, although in smaller amounts. The reductions in 1957 occurred in the first half of the year, and there was an increase in non-resident holdings of Canadian dollars of $25 million in the last half.

Total holdings of all non-residents other than the International Bank for Reconstruction and Development and the International Monetary Fund amounted at the end of 1957 to about $375 million. At the end of 1950 they reached a year-end peak of $600 million and their lowest year-end level since that time was about $320 million at the end of 1953. Holdings at the end of 1957 included about $25 million of Canadian treasury bills, and about $350 million of claims in Canadian dollars in Canadian banks and other depositories.

Change in Official Holdings of Gold and Foreign Exchange

Exchange transactions of the Government of Canada, including the operations of the Exchange Fund Account, led to a substantial inflow of capital as official holdings of gold and foreign exchange were reduced during 1957. The net inflow over the year amounted to $105 million including $104 million from reduced holdings of gold and United States dollars and $1 million from reduced holdings of sterling. In terms of United States dollars, official holdings of gold and United States funds fell from $1,936 million at the end of 1956 to $1,828 million at the end of 1957. Holdings at the end of 1956 were close to the record month-end figure, and a new record of $1,973 million was established at the end of July. By the end of 1957 holdings had been reduced to their lowest month-end level since May 1954. Holdings of sterling are limited to working balances and were of the order of $7 million at the end of 1957.

Other Capital Movements

All other capital movements resulted on balance in a net capital inflow of $58 million in 1957. This figure was well below the inward balances of $204 million and $148 million for 1955 and 1956 respectively. As in these years a much larger inflow took place in the first half of the year, and there were large outflows within the last half. Again in 1957 Canadians added very substantially to their holdings of bank balances and other short-term funds abroad. The capital outflow for this purpose in 1957 amounted to $247 million and brought the total private and chartered bank holdings to about $750 million. The growth of these balances in 1957 appears to have been influenced particularly by funds raised abroad which the borrowers had not yet

converted into Canadian dollars, and by opportunities for the profitable short-term employment in the United States of funds from Canada. In the opposite direction were inflows of $36 million for long-term capital transactions not shown in other categories of the capital account, of $1 million from an increase in short-term Canadian dollar holdings of the International Bank for Reconstruction and Development and the International Monetary Fund (after eliminating the effects of adjustment of the capital subscription because of variations in the exchange value of the Canadian dollar), and of $268 million for all other transactions including net increases in loans and accounts payable. The final category includes, in addition to recorded receivables and payables, the balancing item representing the difference between direct measurements of the revenue and capital accounts. The subject of "other capital movements" was discussed more fully in the preceding report in this series.

STATEMENT 15. Composition of "Other Capital Movements", 1950-1957

A minus sign indicates an outflow of capital from Canada

Transactions with all countries	1950-1951[4]	1952	1953	1954	1955	1956	1957[5]	Total 1950-1957
	millions of dollars							
Loans by Government of United Kingdom to a Canadian Corporation	25	22	20	—	—	—	—	67
Canadian subscription to International Finance Corporation	—	—	—	—	—	- 4	—	- 4
Other long-term capital transactions	- 2	- 24	- 10	29	49	152	36	230
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development and International Monetary Fund[1]	- 9	- 1	- 18	-13	- 9	- 17	1	- 66
Bank balances and other short-term funds abroad (excluding official reserves)[2]	- 3	-168	- 79	-75	131	-216	-247	-657
Borrowings by Canadian finance companies	—	35	19	11	23	64	—	152
All other transactions including changes in loans and accounts receivable and payable[3]	327	-375	-117	20	10	169	268	302
Total (Table 1, item D17)	**338**	**-511**	**-185**	**-28**	**204**	**148**	**58**	**24**

[1] Includes also adjustments in Canada's subscriptions occasioned by changes in their value in terms of Canadian dollars (1950-1953 nil; from 1954, +29, -4, -1, +8).
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings; includes in 1950 use of loan proceeds set aside in 1949 (+18).
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.
[4] For annual detail see statement 15, The Canadian Balance of International Payments 1956 and International Investment Position.
[5] Preliminary estimate.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Canada is by far the world's largest importer of private long-term capital, and the inflows of capital in recent years have added unprecedented amounts to Canada's external liabilities. These investments have contributed to a rapid rate of growth in the Canadian economy, particularly in the exploitation of natural resources, and they have added significantly to Canadian production, employment, and incomes. They have at the same time added substantially to the burden of Canada's external debt and to the proportion of Canadian industry controlled by non-residents. Reference has already been made to the increasing amounts of income required to service such investments and to the large amounts of additional earnings whose transfer is currently deferred.

Canada's net external indebtedness at the end of 1957 was $11.0 billion, which was exclusive of short-term commercial liabilities amounting to some hundreds of millions of dollars. This net indebtedness has practically tripled in the eight years since 1949, and is 70 per cent higher than the amount at the end of the great investment boom of the twenties. At the end of World War II Canada's net international indebtedness was $3.9 billion, and the increase since that time is $7.1 billion. Net inflows of capital added $4.0 billion, and net retained earnings on direct and portfolio investments added about $2.7 billion. The entry of Newfoundland into Confederation added $0.2 billion, as did all other factors including changes in valuation due to exchange rate.

The most important factor contributing to the growth of Canadian external indebtedness has been a rapid rise in non-resident owned long-term investments in Canada. These amounted to $17.1 billion at the end of 1957, having more than doubled since 1949, and they accounted for most of the gross liabilities of $18.5 billion shown in the balance of indebtedness. Direct investments in Canadian enterprises controlled by non-residents were approaching $10 billion in book value at the end of 1957 and equity portfolio investments exceeded $2½ billion. The high proportion of non-resident owned investments in Canada which represent ownership in Canadian enterprises rather than debt is one of the outstanding features of Canada's international investment position. But the last few years have also seen recourse to foreign capital markets by Canadian borrowers on a significant scale, and portfolio holdings abroad of Canadian bonds and debentures in 1957 passed the levels of the early thirties.

Long-term investments in Canada by non-residents grew by about $1.5 billion or 10 per cent during 1957. This followed the unprecedented increase of $2.1 billion in 1956 which represented a growth of 15 per cent in the single year. In the five years ending with 1957 these investments have increased in value by about two-thirds. The overwhelming part of this growth was from the United States which accounted for 73 per cent. Growth of British investments in Canada accounted for 15 per cent of the total increase, and growth of investments of other overseas countries for 12 per cent.

The dependence of Canada upon the United States as a source of external capital has increased in recent decades, and United States owned investments now account for 76 per cent of all non-resident owned long-term investments. This proportion has risen from 61 per cent in the early thirties. United States investors now own nearly 80 per cent of portfolio holdings of Canadian bonds and debentures compared with nearly 60 per cent in the earlier period, and their share of direct investments and equity portfolio investments has risen from about two-thirds to more than three-quarters of the total. British investments account for 17 per cent and other countries for 7 per cent of all non-resident owned investments in Canada.

In the five year period since 1952 United States long-term investments in Canada increased by 61 per cent, British investments by 55 per cent and other overseas countries investments by 156 per cent. In 1957 the most rapid rate of growth was in the other overseas group which increased by 16 per cent. British investments increased by 10 per cent, and United States investments by 9 per cent.

While long-term investments in Canada by residents of the United States and of overseas countries other than the United Kingdom have each been reaching successive new records for some years, recent rapid growths of British investments in Canada have only in 1957 overtaken in value the levels estimated to have been reached at the time of World War I and again in the early thirties. But while the total of $2,915 million estimated for the end of 1957 exceeds the estimate of $2,778 million for 1914 by Professor Knox, shown in table XIII, the underlying value is of course still much smaller due to intervening rises in the level of prices. Wartime repatriation led to a sharp decline in British portfolio investments but these have again been rising in recent years as have British direct investments which are now some three times the value of this category before the war.

Details of long-term foreign investments in Canada and of foreign direct investments appear in tables IX and X which reveal the distribution of the important and growing amounts of foreign investment. In each of the twenty sectors of investment shown except Government of Canada securities non-resident investment increased in 1956, following increases in 1955 in all but Government, provincial and railway securities.

A further analysis of the same investments showing types of asset and nature of national ownership is shown in table VIII. Of the unprecedented rise of $2.1 billion in 1956 over half was in the form of direct investments controlled abroad and equity forms constituted most of this group. In the case of portfolio investments the rise in bonds and debentures of over $0.4 billion in 1956 was the largest single form and much larger than in any recent year. Likewise the increase of more than $0.3 billion in portfolio investments in Canadian stocks was also larger than in recent years, including investments in public issues of Canadian stocks by income accumulating investment funds. And preliminary estimates for 1957 indicate that the increase of $1.5 billion in the value of all non-resident owned investments in Canada again included more than $1.0 billion growth in direct investments being only moderately below that in 1956.

Canada's gross external assets at the end of 1957 totalled $7.6 billion which included $5.0 billion of long-term investments abroad, $1.8 billion official holdings of gold and foreign exchange, and $0.8 billion of other short-term assets abroad mainly in the form of private and chartered bank holdings of foreign exchange. Unlike Canada's external liabilities, whose $18.5 billion total included less than $0.8 billion of liabilities of the Government of Canada, the gross assets of $7.6 billion were owned to the extent of $3.7 billion by the federal government. These assets included intergovernmental loans, subscriptions to the capital of international organizations and official holdings of gold and foreign exchange. Private long-term investments abroad totalled only $3.1 billion, and have increased from $2.1 billion in the five years since 1952.

STATEMENT 16. Summary of Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1957

Item	1926	1930	1939	1945	1949	1953	1954	1955	1956	1957
	millions of dollars									
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	12.6	13.7	14.8	17.0	18.5
Gross external assets	1.3	1.5	1.9	3.8	5.2	6.6	6.9	6.9	7.2	7.6
Net indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**6.0**	**6.8**	**7.9**	**9.8**	**11.0**

Note: For further details see table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Long-Term Investments in Canada, Selected Year Ends, 1900-1957

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1956	1957[2]
	millions of dollars									
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,280	11,785	12,900
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,349	2,661	2,915
Other Countries	14	178	177	170	188	286	352	842	1,110	1,285
Total	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,471**	**15,556**	**17,100**

[1] Privately estimated; for sources see table XIII.
[2] Provisional estimate subject to revision.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-1957

Classification	1926	1930	1945	1949	1953	1954	1955	1956	1957[2]
	millions of dollars								
Direct investment	1,403	1,993	2,304	3,095	5,206	5,787	6,516	7,364	8,200
Government and municipal bonds	909	1,205	1,450	1,534	1,870	1,822	1,639	1,871	2,030
Other portfolio investments	799	1,368	1,106	1,107	1,537	1,651	1,588	1,826	1,900
Income accumulating investment funds	—	—	—	—	—	102	170	249	255
Miscellaneous assets	85	94	130	170	257[1]	302	367	475	515
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**8,870**	**9,664**	**10,280**	**11,785**	**12,900**

[1] New series not strictly comparable with earlier years.
[2] Provisional estimate subject to revision.

It should be borne in mind that figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada, because non-residents have a substantial equity in Canadian long-term investments abroad through their ownership of Canadian corporations.[1] This equity amounted to $0.8 billion at the end of 1957. The existence of this non-resident interest tends to be overlooked in per capita comparisons of Canadian and United States investments abroad. At the end of 1956 the beneficial Canadian interest in long-term investments outside Canada (other than the subscriptions to international organizations which are partially offset by short-term assets in Canada of these institutions) amounted to $3,696 million or to more than $225 per capita. On the other hand long-term investments outside the United States owned by residents of that country were $40 per capita greater. Foreign long-term investment in Canada by all non-residents represented a claim of over $950 per capita of Canadian population. The corresponding United States liability was under $90.

Details of Canadian long-term investments abroad classified by industry and country appear in table VII.

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches to the question which may be of general interest have been adopted. The first is an attempt to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and net investment. The significance of the latter comparison lies partly in the fact that new financing from abroad is normally for additions to the stock of capital rather than for replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of "Canada's International Investment Position 1926-1954".

[1] For a description of the statistical technique followed to derive estimates of foreign investment *in Canada* see Canada's International Investment Position 1926-1954, page 67.

A. Use of Foreign Resources

$$1 \quad \frac{\text{*Current account deficit* (net), adjusted for *retained earnings* of foreign direct investments in Canada and Canadian direct investments abroad, plus *capital consumption allowances* and *depletion* on foreign direct investments in Canada}}{\text{Total private and public investment in Canada, plus value of physical change in inventories}}$$

$$2 \quad \frac{\text{As in A1 but excluding capital consumption allowances}}{\text{As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments}}$$

B. Direct Foreign Financing of Investment

$$1 \quad \frac{\text{*Direct investment* in Canada, plus *retained earnings* on foreign direct investments, *new issues* of Canadian securities sold to non-residents[1], other *long-term financing*, changes in *accounts payable*, and *capital consumption allowances* and *depletion* on foreign direct investments in Canada}}{\text{Total private and public domestic investment in Canada, plus value of physical change in inventories}}$$

$$2 \quad \frac{\text{As in B1 but excluding capital consumption allowances}}{\text{As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments}}$$

The results of these measurements are summarized in statement 19 which shows the substantially increased importance of non-resident investment in Canada in the 1950's to date. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. And for the years 1956 and 1957 during which tremendous capital formation occurred, these ratios rose to one-third and more than two-fifths respectively. The two measures have special meaning. In 1956 and 1957 Canadian sources of savings were sufficiently large to finance about two-thirds of net capital formation (as reflected in measure A2), but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings

[1] Other than government borrowing of $150 million in 1948 which served to replenish official holdings of exchange.

directly financed a smaller part of net capital formation in Canada, with non-residents directly financing the balance of more than 40 per cent as shown in measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to nearly one-quarter of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

A potent force underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources. But detailed study of the structure of industry and of the capital market and its relationship to the mobilization and direction of domestic savings all lie beyond the field of this report.

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-1957

Measure	1946-1949	1950-1955	1956-1957
	percentages		
A1 Use of foreign resources as a percentage of gross capital formation	—	17	27
A2 Use of foreign resources as a percentage of net capital formation	–11	19	33
B1 Direct foreign financing of gross capital formation	19	25	32
B2 Direct foreign financing of net capital formation	24	32	42

Foreign Ownership and Control of Canadian Industry

Estimates of the relative position of foreign investment in Canadian industry and commerce appear in tables XII to XVI which have been brought forward to 1955. It is not yet possible to bring these estimates further up to date, but it is likely that the developments in the two succeeding years have contributed to a further growth of the proportions of these industries which are non-resident owned and controlled.

The proportion of the manufacturing, mining, and utilities industries taken as a group which are non-resident owned has remained relatively unchanged at 32 per cent since the estimate for 1948. But foreign ownership of manufacturing (including petroleum refining) has risen in this period from 42 per cent to 49 per cent, or by about one percentage point each year. Mining and smelting (including petroleum exploration and development companies) owned by non-residents has grown from 39 per cent in 1948 to 62 per cent of the total industry in 1955 or by an average of some 3 percentage points each year. But the relative decline in non-resident ownership of railways and other utilities has been sufficient to maintain a stable ratio of 32 per cent for non-resident ownership of all these industries. Ownership by residents of the United States accounted for 25 per cent.

In contrast to the relative stability of foreign ownership of these industries taken as a whole, revealed in table XII, there has been a sharp growth in the proportions controlled by non-residents, shown in table XIV. For the group the proportion has risen from 25 per cent in 1948 to 30 per cent in 1955; these ratios are both greatly reduced by the inclusion of railways and other utilities large parts of which are government enterprises. For manufacturing (including petroleum refining) the proportion controlled by non-residents rose from 43 per cent in 1948 to 57 per cent in 1955, and in the case of mining and smelting (including petroleum exploration and development companies), the increase was from 40 per cent to 66 per cent of the total. Year to year changes in this series have limited significance because relatively small shifts of equity capital over a number of years may occasion a change of classification between Canadian and foreign control which will apply to the whole structure of debt and equity capital. Nevertheless it is significant that two of the five percentage points growth in foreign control for the group of industries as a whole occurred in the most recent year for which data are available. Control by residents of the United States accounted for 26 per cent out of the 30 per cent of these selected industries controlled by all non-residents at the end of 1955.

More detailed industry data for the ownership and control of Canadian industry appear in table XV, and the estimates from which the ratios shown in tables XII and XIV were derived appear in table XVI.

The great extent to which many Canadian industries have depended upon foreign capital is shown in the analysis of industries in table XV. In the area of industry covered in the table non-resident ownership amounts to 53 per cent and non-resident control to 59 per cent. Most of the commodity producing industries in Canada other than agriculture are included. In the more extractive industries where large aggregations of capital are general, corresponding ratios are even higher, being some 64 per cent and 80 per cent respectively in the case of the petroleum industry and 60 per cent and 62 per cent in mining. In some subdivisions of manufacturing, ratios of non-resident control were as high as 96 per cent and 98 per cent respectively in the automobile and parts industry and in the rubber industry, and 82 per cent in the electrical apparatus industry and 77 per cent in chemicals. Other basic industries like pulp and paper and transportation equipment show ratios of control exceeding 50 per cent. In contrast some prominent sub-divisions of industry are predominantly Canadian controlled, good examples in 1955 being provided by primary iron and steel, beverages, and textiles, but since that year it should be noted that there have been some significant changes in ownership and control, particularly in the primary iron and steel industry.

Another striking illustration of the part played by non-resident capital in Canada is the major extent to which the increased value of capital invested in 1955 was non-resident owned. During that year a good deal more than one-half of the rise in investment in the commodity producing industries covered in table XV was non-resident owned. Comparison of the figures of investments controlled abroad in the same table also indicates predominant increases in that category of investments but some significant parts of this change, particularly in petroleum and mining, are due to the reclassification of companies into the direct investment class in 1955.

Number of Concerns

Table XI shows as usual the number of Canadian concerns controlled abroad, which rose to 5,460 by the end of 1956. This was an increase of 503 during the year, which in turn followed an increase of 476 in 1955. As will be seen in statement 20 the Bureau's data cover more than 7,800 Canadian companies in which non-resident capital was invested in significant amounts at the end of 1956. The total number of Canadian corporations at the beginning of that year was about 77,400. Statement 20 also shows the great corporate activity in the field of foreign investment in 1956. There were added to the records 785 new concerns in which foreign capital was directly invested, and, including also the subsidiaries of such companies, the total number of additions was well in excess of 900. The control of more than 100 Canadian companies changed hands from one country to another during the year. The non-resident investments in more than 50 Canadian concerns were fully acquired by Canadian interests. And the normal processes of liquidation, merger, etc. led to the elimination of more than 180 concerns having non-resident capital invested in them.

STATEMENT 20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested 1956

Item	Controlled in					
	United States	United Kingdom	Other Foreign Countries	All Foreign Countries	Canada	Total
Number at beginning of year	3,707	947	303	4,957	1,958	6,915
Add						
New concerns with foreign capital	+ 452	+ 52	+ 89	+ 593	+ 192	+ 785
Transfers of control	+ 35	+ 11	+ 10	+ 56	+ 47	+ 103
Substract						
Transfers of control	- 45	- 11	- 3	- 59	- 44	- 103
Concerns now wholly-owned by Canadians	- 24	- 4	—	- 28	- 26	- 54
Concerns liquidated, merged, etc.	- 119	- 17	- 15	- 151	- 31	- 182
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 37	+ 41	+ 14	+ 92	+ 60	+ 152
Number at end of year (Table XI)	4,043	1,019	398	5,460	2,156	7,616

Note: These numbers exclude more than 200 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

Direct Investment Owned in Overseas Countries other than the United Kingdom

Statement 20 in the Canadian Balance of International Payments, 1956, and International Investment Position, gave the geographical origin at the end of 1955 of direct investment in Canada by countries other than the United States and the United Kingdom. The total, now revised to $325 million, included $107 million from Belgium, $67 million from Switzerland, $64 million from France, and $14 million from West Germany. These four countries, which were those with the largest investments in Canada, accounted for more than three quarters of the total. By the end of 1956 the total had increased to $423 million. A comprehensive analysis of the geographic origin has not been carried out, but among the groups of direct investments in Canada which have shown sharp growth are those of the Federal Republic of West Germany, which more than doubled to total $31 million at the end of 1956. Canadian and other foreign capital invested in these enterprises brought the total book value of investments in Canada controlled in Germany to $39 million.

The Petroleum and Natural Gas Industry

The total foreign investment in all phases of the petroleum and natural gas industry amounted to $2,257 million at the end of 1956, having increased by 22 per cent during the year. This rate of growth was slightly smaller than in 1955 when it amounted to 25 per cent, but more than half the decline could be attributed to accounting adjustments arising from corporate mergers and similar factors. The book value is more than fourteen times what it was in 1945, and the industry has accounted for a quarter of the growth in the value of the investments in Canada of all non-residents since that time. Ninety-four per cent of the foreign owned investments were direct investments in foreign controlled enterprises, and 91 per cent reflected direct or portfolio investment by residents of the United States. It is estimated that at the end of 1955 non-residents of Canada owned about 64 per cent of the petroleum industry and controlled about 80 per cent.

Investment in the Petroleum and Natural Gas Industry — Statistical note

In the basic corporate records maintained by the Bureau for its estimates of international investments, companies engaged in the petroleum and natural gas industry have appeared under four separate categories. Those companies engaged in refining have been classified in the manufacturing non-metallic minerals group. Those engaged primarily in exploration and development of petroleum and natural gas have been included under mining and smelting. Companies engaged primarily in the transportation of petroleum and natural gas, whether by pipeline or other means, have been shown as utilities, and those engaged primarily in marketing and distribution have been included under merchandising. In an industry such as the petroleum and natural gas industry which shows a high and increasing degree of vertical integration, classification by principal activity of the enterprise may lead to confusion on the part of users who assume that it provides an acceptable measure of the various aspects of industrial activity. For this reason for some years past the Bureau has published supplementary statements for the petroleum industry, which made it possible for the user to isolate the component enterprises from the industrial groups in which they were included. With the publication of this report, this treatment has been carried into the basic tables IX, X, and XI, and it has also been extended to the natural gas industry. In these tables, the petroleum and natural gas industry as a whole appears as a separate group, and other industrial groups are in each case exclusive of segments of the petroleum and natural gas industry. It should be noted that this treatment has not yet been accorded to the series in tables XII, XIV and XVI.

Comparisons of annual data for the petroleum and natural gas industry are affected to some extent by revaluations of investment coincident with mergers and corporate reorganizations.

Financial Institutions and Miscellaneous Investment

It has been the practice in these reports from time to time in the past to provide additional detail of some components of Canada's investment position. A list of some of the aspects covered specially in earlier annual reports on the Canadian Balance of Payments, since the appearance of Canada's International Investment Position 1926-1954, appears on page 4. Two additional facets are exposed in statements 21 and 22. The first of these shows the components of the "Financial Institutions" category of foreign investment in Canada at the end of 1956. This group of investments has grown rapidly from $774 million at the end of 1953 — when it represented 6.75 per cent of all long-term investment in Canada by non-residents — to $1,495 million, or some 9.6 per cent at the end of 1956. Another mixed category of investment which has shown a considerable growth in recent years is that of "Miscellaneous Investments". These investments include real estate, mortgage, and other assets held or administered for non-residents by trustees, agents, or nominees, private investment companies, etc. Their measurement cannot be as precise as the direct ownership of Canadian concerns and securities by non-residents, but the amounts involved are now so large that it is felt that publication of the components of the total, given for the first time in statement 22, is warranted.

STATEMENT 21. Detail of Foreign Investment in "Financial Institutions" Category End of 1956

Type	Direct Investment				Portfolio Investment				Total			
	United States	United Kingdom	Other Countries	Total	United States	United Kingdom	Other Countries	Total	United States	United Kingdom	Other Countries	Total
	millions of dollars											
Banks, trust, loan and mortgage companies, investment services, brokers, insurance agents	270	20	40	330	107	133	8	248	377	153	48	578
Insurance companies	228	56	27	311	54	5	2	61	282	61	29	372
Real estate companies	29	13	18	60	16	8	14	38	45	21	32	98
Income accumulating funds	—	—	—	—	249[1]	—	—	249	249	—	—	249
Other holding companies	23	28	62	113	15	23	47	85	38	51	109	198
Totals as in Tables IX and X	**550**	**117**	**147**	**814**	**441**	**169**	**71**	**681**	**991**	**286**	**218**	**1,495**

[1] Investment in Canadian securities only; minor investment by United Kingdom and other countries is included with "other holding companies".

STATEMENT 22. Detail of Foreign Investment in "Miscellaneous Investments[1]" Category End of 1952-1956

Type	End of:					Country of Ownership 1956		
	1952	1953	1954	1955	1956	United States	United Kingdom	Other Countries
	millions of dollars							
Canadian securities	225	243	302	313	416	122	140	154
Mortgages on Canadian real estate	77	76	109	168	250	240	7	3
Real estate in Canada	120	118	115	120	125	99	13	13
Other investments	25	30	35	40	30	14	8	8
Totals as in Tables VIII and IX	**447**	**467**	**561**	**641**	**821**	**475**	**168**	**178**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1956 and 1957

No.	Account	All Countries		United States		United Kingdom		Other Sterling Area		Other OEEC Countries		All Other Countries	
		1956	1957[1]	1956	1957[1]	1956	1957[1]	1956	1957[1]	1956	1957[1]	1956	1957[1]
		millions of dollars											
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	4,837	4,909	2,854	2,931	818	749	256	246	470	515	439	468
2	Mutual Aid to NATO Countries	157	107	—	—	—	—	—	—	—	—	—	—
3	Gold production available for export	150	147	150	147	—	—	—	—	—	—	—	—
4	Travel expenditures	337	363	309	325	14	18	4	5	6	10	4	5
5	Interest and dividends	142	149	80	91	14	10	21	22	12	13	15	13
6	Freight and shipping	457	431	223	215	98	93	29	26	61	52	46	45
7	Inheritances and immigrants' funds	99	124	45	47	24	40	5	8	18	22	7	7
11	All other current receipts	442	395	354	306	47	45	9	8	18	22	14	14
12	**Total current receipts**	**6,621**	**6,625**	**4,015**	**4,062**	**1,015**	**955**	**324**	**315**	**585**	**634**	**525**	**552**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	5,565	5,488	4,021	3,878	493	520	222	239	320	336	509	515
4	Travel expenditures	498	525	391	403	46	47	8	11	41	48	12	16
5	Interest and dividends	523	593	427	486	73	78	1	1	20	26	2	2
6	Freight and shipping	502	506	351	344	59	68	3	2	75	79	14	13
7	Inheritances and emigrants' funds	115	122	94	100	14	15	1	1	4	4	2	2
9	Official contributions	30	37	—	—	—	—	28	35	1	1	1	1
10	Mutual Aid to NATO Countries	157	107	—	—	—	—	—	—	—	—	—	—
11	All other current payments	597	647	370	402	78	85	13	17	107	111	29	32
12	**Total current payments**	**7,987**	**8,025**	**5,654**	**5,613**	**763**	**813**	**276**	**306**	**568**	**605**	**569**	**581**
	Balance on merchandise trade	− 728	− 579	−1,167	− 947	+ 325	+229	+ 34	+ 7	+150	+179	− 70	− 47
	Balance on other transactions, excluding B9	− 608	− 784	− 472	− 604	− 73	− 87	+ 42	+ 37	−132	−149	+ 27	+ 19
	Official contributions	− 30	− 37	—	—	—	—	− 28	− 35	− 1	− 1	− 1	− 1
	Current Accounts Balance	**−1,366**	**−1,400**	**−1,639**	**−1,551**	**+ 252**	**+142**	**+ 48**	**+ 9**	**+ 17**	**+ 29**	**− 44**	**− 29**
	Capital Account:												
	Direct investment:												
1	Direct investment in Canada	+ 583	+ 520	+ 406	+ 403	+ 98	+ 65	—	+ 2	+ 77	+ 49	+ 2	+ 1
2	Direct investment abroad	− 104	− 65	− 70	− 36	− 3	+ 4	− 24	− 16	—	− 3	− 7	− 14
	Canadian Securities:												
3a	Trade in outstanding bonds and debentures	+ 11	− 43	− 35	− 68	+ 11	—	—	—	+ 38	+ 30	− 3	− 5
3b	Trade in outstanding common and preference stocks	+ 188	+ 137	+ 69	+ 4	+ 72	+ 88	—	—	+ 47	+ 45	—	—
4	New issues	+ 667	+ 790	+ 601	+ 714	+ 36	+ 60	—	—	+ 30	+ 16	—	—
5	Retirements	− 141	− 137	− 133	− 109	− 2	− 21	—	—	− 4	− 7	− 2	—
	Foreign securities:												
6	Trade in outstanding issues	+ 20	+ 37	+ 10	+ 33	+ 4	+ 2	—	—	+ 6	+ 2	—	—
7	New issues	− 18	− 23	− 13	− 15	—	—	—	—	—	− 4	− 5	− 4
8	Retirements	—	+ 5	—	+ 4	—	—	—	—	—	—	—	+ 1
	Loans by Government of Canada:												
10	Repayment of post-war loans	+ 39	+ 20	—	—	+ 15	—	—	—	+ 18	+ 18	+ 6	+ 2
11	Repayment of war loans	+ 30	+ 30	—	—	+ 30	+ 30	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	− 24	− 34	− 48	− 9	+ 16	− 18	− 2	− 2	+ 3	− 3	+ 7	− 2
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	− 33	+ 105	− 34	+ 104	+ 1	+ 1	—	—	—	—	—	—
17	Other capital movements	+ 148	+ 58	+ 103	+ 13	+ 21	+ 24	− 12	− 1	+ 35	+ 5	+ 1	+ 17
	Net Capital Movement	**+1,366**	**+1,400**	**+ 856**	**+1,038**	**+ 299**	**+235**	**− 38**	**− 17**	**+250**	**+148**	**− 1**	**− 4**
	Balance Settled by Exchange Transfers	—	—	**+ 783**	**+ 513**	**− 551**	**−377**	**− 10**	**+ 8**	**−267**	**−177**	**+ 45**	**+ 33**
	Total financing of current account balance (itemC)	**+1,366**	**+1,400**	**+1,639**	**+1,551**	**− 252**	**−142**	**− 48**	**− 9**	**− 17**	**− 29**	**+ 44**	**+ 29**

[1] Subject to revision.

tes:

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other EEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area: mely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey, and their erseas territories. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, IBRD, IFC and IMF and all other countries not specified above.

,B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

7 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1957

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957[1]
		millions of dollars											
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,909
2	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222	157	107
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	149
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	431
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	391
12	**Total current receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,072**	**6,621**	**6,625**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,483
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	521
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	595
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	505
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	123
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	31
10	Mutual Aid to NATO Countries	—	—	—	—	57	145	200	246	284	222	157	107
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	643
12	**Total current payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,770**	**7,987**	**8,028**
	Balance on merchandise trade	+ 571	+ 188	+ 432	+ 293	+ 10	− 147	+ 489	− 58	+ 13	− 211	− 728	− 574
	Balance on other transactions, excluding B9	− 111	− 101	+ 42	− 110	− 339	− 361	− 309	− 360	− 434	− 463	− 608	− 781
	Official contributions	− 97	− 38	− 23	− 6	− 5	− 9	− 16	− 25	− 11	− 24	− 30	− 31
C	**Current Account Balance**	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**− 334**	**− 517**	**+ 164**	**− 443**	**− 432**	**− 698**	**−1,366**	**−1,402**
D	**Capital Account:**												
	Direct investment:												
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 417	+ 583	+ 532
2	Direct investment abroad	− 14	+ 6	+ 15	+ 13	+ 36	− 20	− 77	− 63	− 81	− 74	− 104	− 69
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 194	− 13	+ 3	+ 8	+ 329	+ 38	− 166	− 52	− 66	− 165	+ 11	− 45
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+ 129	+ 138	+ 188	+ 170
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166	+ 667	+ 795
5	Retirements	− 539	− 364	− 114	− 147	− 284	− 184	− 89	− 146	− 203	− 184	− 141	− 135
	Foreign securities:												
6	Trade in outstanding issues	+ 25	+ 1	− 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 7
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 20	− 23	− 33	− 48	− 18	− 1
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	—	+ 1
	Loans by Government of Canada:												
9	Drawings	− 750	− 565	− 142	− 120	− 50	—	—	—	—	—	—	
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 1
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 1
14	Change in Canadian dollar holdings of foreigners	+ 70	− 26	− 21	+ 40	+ 233	− 192	− 66	− 18	+ 34	+ 89	− 24	− 1
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	− 492	− 128	− 722	− 56	− 37	+ 38	− 124	+ 44	− 33	+ 1
17	Other capital movements	+ 23	− 101	+ 7	− 80	+ 210	+ 128	− 511	− 185	− 28	+ 204	+ 148	+ 1
E	**Net Capital Movement**	**− 363**	**− 49**	**− 451**	**− 177**	**+ 334**	**+ 517**	**− 164**	**+ 443**	**+ 432**	**+ 698**	**+1,366**	**+1,40**

Notes:
AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.
D 17 Includes for years 1946 to 1950 transactions shown separately under items D 12, 13, and 15 in the Canadian Balance of International Payments in the P
War Years, 1946-1952.
A-G For other notes applicable to this Table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1957 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957[1]
		millions of dollars											
	Current Receipts:												
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	91
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	215
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	306
12	**Total current receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**4,015**	**4,062**
	Current Payments:												
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403
5	Interest and dividends	250	274	267	325	411	382	344	334	345	383	427	486
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	344
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	100
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	402
12	**Total current payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,654**	**5,613**
	Balance on merchandise trade	− 430	− 890	− 289	− 378	− 47	− 516	− 471	− 588	− 445	− 685	−1,167	− 947
	Balance on other transactions	− 177	− 244	− 104	− 223	− 353	− 435	− 378	− 316	− 362	− 350	− 472	− 604
	Current Account Balance	**− 607**	**−1,134**	**− 393**	**− 601**	**− 400**	**− 951**	**− 849**	**− 904**	**− 807**	**−1,035**	**−1,639**	**−1,551**
	Capital Account:												
	Direct investment:												
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306	+ 406	+ 403
2	Direct investment abroad	− 7	+ 6	+ 15	+ 16	+ 41	− 4	− 42	− 33	− 46	− 56	− 70	− 36
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 241	− 3	+ 5	+ 25	+ 362	+ 20	− 170	− 85	− 87	− 159	− 35	− 68
3b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 4
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127	+ 601	+ 714
5	Retirements	− 460	− 313	− 96	− 136	− 263	− 159	− 75	− 132	− 184	− 169	− 133	− 109
	Foreign securities:												
6	Trade in outstanding issues	+ 21	− 2	− 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 33
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 5	− 18	− 3	− 8	− 13	− 15
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—	+ 4
14	Change in Canadian dollar holdings of foreigners	+ 27	− 3	− 14	− 8	+ 89	− 53	− 37	− 1	+ 19	+ 66	− 48	− 9
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	− 496	− 134	− 694	− 39	− 80	+ 42	− 121	+ 42	− 34	+ 104
17	Other capital movements	—	− 76	+ 1	− 38	+ 249	+ 59	− 458	− 223	+ 18	+ 151	+ 103	+ 13
	Net Capital Movement	**+ 331**	**+ 505**	**− 385**	**− 70**	**+ 267**	**+ 515**	**− 158**	**+ 244**	**+ 277**	**+ 425**	**+ 856**	**+1,038**
	Balance Settled by Exchange Transfers	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+1,007**	**+ 660**	**+ 530**	**+ 610**	**+ 783**	**+ 513**
	Total financing of current account balance (item C)	**+ 607**	**+1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 807**	**+1,035**	**+1,639**	**+1,551**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1957 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957[1]
		millions of dollars											
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	818	749
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	93
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	45
12	**Total current receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,015**	**955**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	68
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	15
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	85
12	**Total current payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	**763**	**813**
	Balance on merchandise trade	+488	+567	+416	+401	+ 70	+219	+377	+193	+269	+366	+325	+229
	Balance on other transactions	+ 12	+ 66	+ 70	+ 45	– 46	+ 4	+ 11	– 60	– 40	– 36	– 73	– 87
C	**Current Account Balance**	**+500**	**+633**	**+486**	**+446**	**+ 24**	**+223**	**+388**	**+133**	**+229**	**+330**	**+252**	**+142**

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	**Current Receipts:**												
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	256	246
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	28
7	Inheritances and immigrants' funds	–	1	2	1	1	3	3	4	4	4	5	8
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	8
12	**Total current receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	**324**	**315**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	193	211	222	239
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11
5	Interest and dividends	1	1	1	1	–	–	–	–	–	1	1	1
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2
7	Inheritances and emigrants' funds	–	–	1	2	1	1	1	1	1	1	1	1
9	Official contributions	5	–	–	–	–	–	15	18	8	22	28	31
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	17
12	**Total current payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	**276**	**306**
	Balance on merchandise trade	+140	+206	+101	+113	– 43	– 45	+108	+ 79	+ 23	+ 43	+ 34	+ 4
	Balance on other transactions, excluding B 9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29	+ 39	+ 42	+ 37
	Official contributions	– 5	–	–	–	–	–	– 15	– 18	– 8	– 22	– 28	– 31
C	**Current Account Balance**	**+164**	**+242**	**+129**	**+135**	**– 23**	**– 24**	**+114**	**+ 83**	**+ 44**	**+ 60**	**+ 48**	**+**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1957 — Concluded

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957[1]
		millions of dollars											
C	**Current Account Balance**	**+664**	**+875**	**+615**	**+581**	**+ 1**	**+199**	**+502**	**+216**	**+273**	**+390**	**+300**	**+151**
I	**Capital Account:**												
	Direct investment:												
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 67
2	Direct investment abroad	− 10	− 3	− 2	− 3	− 4	− 6	− 19	− 22	− 23	− 9	− 27	− 12
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	− 48	− 11	− 4	− 16	− 35	− 16	+ 3	+ 20	—	− 2	+ 11	—
3b	Trade in outstanding common and preference stocks							− 6	+ 7	+ 21	+ 28	+ 72	+ 88
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 60
5	Retirements	− 77	− 42	− 14	− 10	− 19	− 24	− 9	− 11	− 17	− 11	− 2	− 21
	Foreign securities:												
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	− 9	+ 4	+ 2
7	New issues	—	—	—	—	—	—	—	—	− 1	− 21	—	—
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—	—
	Loans by Government of Canada:												
9	Drawings	−540	−423	− 52	−120	− 50	—	—	—	—	—	—	—
0	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	—
1	Repayment of war loans	+ 89	+104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30
4	Change in Canadian dollar holdings of foreigners	+ 32	− 4	− 20	+ 62	+116	−128	− 22	− 17	+ 6	+ 11	+ 14	− 20
6	Change in official holding of sterling (increase, minus)	+ 16	− 1	+ 4	+ 6	− 28	− 17	+ 43	− 4	− 3	+ 2	+ 1	+ 1
7	Other capital movements	+ 39	+ 16	+ 18	− 27	− 39	+ 82	− 62	+ 37	− 32	+ 60	+ 9	+ 23
E	**Net Capital Movement**	**−491**	**−357**	**+ 7**	**− 87**	**+ 13**	**− 23**	**− 16**	**+129**	**+ 94**	**+177**	**+261**	**+218**
G	**Balance Settled by Exchange Transfers:**												
	Official settlements	−150	−505	−597	−466	+ 4	−165	−486	−345	−367	−567	−561	−369
	Private settlements	− 23	− 13	− 25	− 28	− 18	− 11						
	Total financing of current account balance (item C)	**−664**	**−875**	**−615**	**−581**	**− 1**	**−199**	**−502**	**−216**	**−273**	**−390**	**−300**	**−151**

[1] Subject to revision.

TABLE III. Current Account Between Canada and All Countries, 1926-1957

Year	Current receipts[1]	Current payments[2]	Net balance including Mutual Aid exports	Wartime Grants and Mutual Aid	Net balance on current account indicating net movement of capital
			millions of dollars		
926	1,665	1,538	+ 127	—	+ 127
927	1,633	1,643	− 10	—	− 10
928	1,788	1,820	− 32	—	− 32
929	1,646	1,957	− 311	—	− 311
930	1,297	1,634	− 337	—	− 337
931	972	1,146	− 174	—	− 174
932	808	904	− 96	—	− 96
933	829	831	− 2	—	− 2
934	1,020	952	+ 68	—	+ 68
935	1,145	1,020	+ 125	—	+ 125
936	1,430	1,186	+ 244	—	+ 244
937	1,593	1,413	+ 180	—	+ 180
938	1,361	1,261	+ 100	—	+ 100
939	1,457	1,331	+ 126	—	+ 126
940	1,776	1,627	+ 149	—	+ 149
941	2,458	1,967	+ 491	—	+ 491
942	3,376	2,275	+1,101	−1,002	+ 99
943	4,064	2,858	+1,206	− 518	+ 688
944	4,557	3,539	+1,018	− 960	+ 58
945	4,456	2,910	+1,546	− 858	+ 688
946	3,365	2,905	+ 460	− 97	+ 363
947	3,748	3,699	+ 49	—	+ 49
948	4,147	3,696	+ 451	—	+ 451
949	4,089	3,912	+ 177	—	+ 177
950	4,297	4,574	− 277	− 57	− 334
951	5,311	5,683	− 372	− 145	− 517
952	5,858	5,494	+ 364	− 200	+ 164
953	5,737	5,934	− 197	− 246	− 443
954	5,520	5,668	− 148	− 284	− 432
955	6,072	6,548	− 476	− 222	− 698
956	6,621	7,830	−1,209	− 157	−1,366
957[3]	6,625	7,918	−1,293	− 107	−1,400

[1] Including Mutual Aid exports.
[2] Excluding Mutual Aid offsets.
[3] Subject to revision.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1955-1957

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III	1956 IV	1957[1] I	1957[1] II	1957[1] III	1957[1] IV
		millions of dollars											
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	967	1,098	1,127	1,140	1,051	1,262	1,247	1,277	1,102	1,215	1,308	1,284
3	Gold production available for export	39	39	37	40	37	40	38	35	39	31	27	50
4	Travel expenditures	26	66	182	54	26	65	191	55	31	76	197	59
5	Interest and dividends	26	32	27	75	37	39	25	41	25	37	31	56
6	Freight and shipping	82	100	108	108	102	115	120	120	104	114	113	100
7	Inheritances and immigrants' funds	16	25	24	21	17	28	26	28	25	42	34	23
11	All other current receipts	77	105	105	104	94	114	110	124	111	106	91	87
12	**Total current receipts**	**1,233**	**1,465**	**1,610**	**1,542**	**1,364**	**1,663**	**1,757**	**1,680**	**1,437**	**1,621**	**1,801**	**1,659**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	971	1,150	1,163	1,259	1,245	1,542	1,351	1,427	1,328	1,518	1,350	1,292
4	Travel expenditures	78	119	156	96	93	133	169	103	100	142	178	105
5	Interest and dividends	131	99	91	162	115	110	128	170	129	142	141	181
6	Freight and shipping	78	108	113	116	99	134	132	137	109	143	135	119
7	Inheritances and emigrants' funds	21	23	30	31	25	28	31	31	27	30	32	33
9	Official contributions	5	4	8	7	9	10	5	6	5	8	7	17
11	All other current payments	134	125	134	136	148	142	157	150	166	166	153	162
12	**Total current payments**	**1,418**	**1,628**	**1,695**	**1,807**	**1,734**	**2,099**	**1,973**	**2,024**	**1,864**	**2,149**	**1,996**	**1,909**
	Balance on merchandise trade	− 4	− 52	− 36	− 119	− 194	− 280	− 104	− 150	− 226	− 303	− 42	− 8
	Balance on other transactions, excluding B9	− 176	− 107	− 41	− 139	− 167	− 146	− 107	− 188	− 196	− 217	− 146	− 225
	Official contributions	− 5	− 4	− 8	− 7	− 9	− 10	− 5	− 6	− 5	− 8	− 7	− 17
C	**Current Account Balance**	**− 185**	**− 163**	**− 85**	**− 265**	**− 370**	**− 436**	**− 216**	**− 344**	**− 427**	**− 528**	**− 195**	**− 250**
D	**Capital Account:**												
	Direct investment:												
1	Direct investment in Canada	+ 85	+ 115	+ 104	+ 113	+ 119	+ 167	+ 116	+ 181	+ 91	+ 163	+ 137	+ 129
2	Direct investment abroad	− 11	− 12	− 12	− 39	− 66	− 4	− 23	− 11	− 20	− 22	− 18	− 5
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	− 82	− 51	− 47	+ 15	+ 46	− 14	− 8	− 13	− 10	− 3	− 15	− 15
3b	Trade in outstanding common and preference stocks	+ 49	+ 56	+ 23	+ 10	+ 29	+ 54	+ 76	+ 29	+ 40	+ 47	+ 43	+ 7
4	New issues	+ 109	+ 27	+ 17	+ 13	+ 112	+ 176	+ 179	+ 200	+ 264	+ 296	+ 142	+ 88
5	Retirements	− 86	− 61	− 19	− 18	− 71	− 23	− 25	− 22	− 41	− 23	− 45	− 28
	Foreign securities:												
6	Trade in outstanding issues	+ 14	− 6	+ 6	+ 11	− 18	+ 8	+ 8	+ 22	− 10	+ 19	+ 17	+ 11
7	New issues	− 5	− 17	− 4	− 22	− 2	− 6	− 4	− 6	− 4	− 4	− 8	− 7
8	Retirements	+ 3	—	+ 14	—	—	—	—	—	+ 1	+ 2	+ 1	+ 1
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	+ 10	+ 2	+ 27	—	+ 13	—	+ 26	—	+ 11	—	+ 9
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 1
14	Change in Canadian dollar holdings of foreigners	+ 30	+ 39	+ 6	+ 14	− 22	− 5	− 2	+ 5	− 33	− 26	+ 7	+ 12
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 71	− 56	− 7	+ 36	+ 30	− 31	− 5	− 27	+ 13	− 22	+ 53	+ 6
17	Other capital movements	+ 1	+ 111	− 5	+ 97	+ 206	+ 93	− 103	− 48	+ 129	+ 82	− 126	− 2
E	**Net Capital Movement**	**+ 185**	**+ 163**	**+ 85**	**+ 265**	**+ 370**	**+ 436**	**+ 216**	**+ 344**	**+ 427**	**+ 528**	**+ 195**	**+ 250**

Notes:

Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA since Mutual Aid to NATO countries is not distributed by quarters.

For other notes applicable to this Table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1955-1957 – Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1955				1956				1957[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Current Receipts:												
1	Merchandise exports (adjusted)	580	647	670	701	640	719	733	762	654	725	794	758
3	Gold production available for export	39	39	37	40	37	40	38	35	39	31	27	50
4	Travel expenditures	24	58	172	49	24	56	181	48	27	64	184	50
5	Interest and dividends	13	19	19	27	28	18	16	18	18	19	24	30
6	Freight and shipping	41	50	55	57	48	56	60	59	51	58	58	48
7	Inheritances and immigrants' funds	8	12	14	11	9	12	12	12	9	13	14	11
11	All other current receipts	61	86	84	87	74	91	90	99	89	85	69	63
12	**Total current receipts**	**766**	**911**	**1,051**	**972**	**860**	**992**	**1,130**	**1,033**	**887**	**995**	**1,170**	**1,010**
	Current Payments:												
1	Merchandise imports (adjusted)	723	836	826	898	935	1,119	937	1,030	1,000	1,084	919	875
2	Travel expenditures	66	99	122	76	75	104	132	80	79	112	134	78
5	Interest and dividends	104	82	69	133	87	92	103	145	97	123	112	154
6	Freight and shipping	52	76	79	80	66	94	95	96	71	98	95	80
7	Inheritances and emigrants' funds	17	17	23	25	22	22	25	25	24	24	26	26
11	All other current payments	81	81	83	87	89	92	97	92	99	104	96	103
12	**Total current payments**	**1,043**	**1,191**	**1,202**	**1,299**	**1,274**	**1,523**	**1,389**	**1,468**	**1,370**	**1,545**	**1,382**	**1,316**
	Current Account Balance	**– 277**	**– 280**	**– 151**	**– 327**	**– 414**	**– 531**	**– 259**	**– 435**	**– 483**	**– 550**	**– 212**	**– 306**
	Capital Account:												
	Direct investment:												
1	Direct investment in Canada	+ 49	+ 95	+ 80	+ 82	+ 78	+ 100	+ 76	+ 152	+ 75	+ 110	+ 113	+ 105
2	Direct investment abroad	– 7	– 10	– 6	– 33	– 57	+ 7	– 16	– 4	– 10	– 12	– 8	– 6
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	– 78	– 52	– 44	+ 15	+ 33	– 25	– 17	– 26	– 18	– 11	– 15	– 24
3b	Trade in outstanding common and preference stocks	+ 35	+ 44	+ 8	+ 5	+ 22	+ 27	+ 24	– 4	+ 5	– 11	+ 7	+ 3
4	New issues	+ 96	+ 10	+ 10	+ 11	+ 107	+ 160	+ 166	+ 168	+ 237	+ 276	+ 124	+ 77
5	Retirements	– 84	– 55	– 13	– 17	– 67	– 22	– 23	– 21	– 26	– 19	– 41	– 23
	Foreign securities:												
6	Trade in outstanding issues	+ 14	+ 2	+ 8	+ 7	– 20	+ 6	+ 5	+ 19	– 11	+ 19	+ 15	+ 10
7	New issues	– 4	– 1	– 2	– 1	– 1	– 4	– 4	– 4	– 4	– 3	– 3	– 5
8	Retirements	+ 2	–	–	–	–	–	–	–	+ 1	+ 1	+ 1	+ 1
14	Change in Canadian dollar holdings of foreigners	+ 11	+ 40	+ 2	+ 13	– 38	– 6	+ 10	– 14	– 2	– 14	+ 3	+ 4
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 70	– 58	– 6	+ 36	+ 29	– 28	– 4	– 31	+ 12	– 17	+ 49	+ 60
17	Other capital movements	+ 64	+ 56	– 54	+ 85	+ 184	+ 74	– 99	– 56	+ 118	+ 79	– 154	– 30
	Net Capital Movement	**+ 168**	**+ 71**	**– 17**	**+ 203**	**+ 270**	**+ 289**	**+ 118**	**+ 179**	**+ 377**	**+ 398**	**+ 91**	**+ 172**
	Balance Settled by Exchange Transfers	**+ 109**	**+ 209**	**+ 168**	**+ 124**	**+ 144**	**+ 242**	**+ 141**	**+ 256**	**+ 106**	**+ 152**	**+ 121**	**+ 134**
	Total financing of current account balance (item C)	**+ 277**	**+ 280**	**+ 151**	**+ 327**	**+ 414**	**+ 531**	**+ 259**	**+ 435**	**+ 483**	**+ 550**	**+ 212**	**+ 306**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1955-1957 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1955				1956				1957			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
A	**Current Receipts:**												
1	Merchandise exports (adjusted)	183	201	199	189	180	199	220	219	163	180	212	194
4	Travel expenditures	1	4	5	3	1	5	5	3	2	6	7	3
5	Interest and dividends	3	2	2	34	2	3	3	6	3	2	2	3
6	Freight and shipping	21	24	26	26	24	25	25	24	21	27	23	22
7	Inheritances and immigrants' funds	4	6	5	5	4	6	7	7	8	15	11	6
11	All other current receipts	8	11	11	9	11	12	11	13	12	11	11	11
12	**Total current receipts**	**220**	**248**	**248**	**266**	**222**	**250**	**271**	**272**	**209**	**241**	**266**	**239**
B	**Current Payments:**												
1	Merchandise imports (adjusted)	88	99	111	108	97	149	128	119	114	144	132	130
4	Travel expenditures	5	11	14	10	6	14	16	10	6	12	18	11
5	Interest and dividends	23	13	18	21	23	13	20	17	25	13	22	18
6	Freight and shipping	10	11	14	14	12	16	14	17	15	18	17	18
7	Inheritances and emigrants' funds	3	4	5	4	2	4	4	4	2	4	4	5
11	All other current payments	20	11	18	17	19	20	20	19	23	21	20	21
12	**Total current payments**	**149**	**149**	**180**	**174**	**159**	**216**	**202**	**186**	**185**	**212**	**213**	**203**
C	**Current Account Balance**	+ 71	+ 99	+ 68	+ 92	+ 63	+ 34	+ 69	+ 86	+ 24	+ 29	+ 53	+ 36
D	**Capital Account:**												
	Direct investment:												
1	Direct investment in Canada	+ 21	+ 14	+ 15	+ 18	+ 14	+ 39	+ 28	+ 17	+ 8	+ 24	+ 15	+ 18
2	Direct investment abroad	–	–	– 1	–	– 1	–	– 1	– 1	+ 1	+ 1	+ 1	+ 1
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	–	– 4	–	+ 2	+ 2	+ 3	+ 3	+ 3	+ 1	+ 2	– 5	+ 2
3b	Trade in outstanding common and preference stocks	+ 10	+ 6	+ 9	+ 3	+ 1	+ 16	+ 35	+ 20	+ 27	+ 43	+ 17	+ 1
4	New issues	+ 9	+ 3	+ 2	+ 1	+ 3	+ 10	+ 9	+ 14	+ 23	+ 14	+ 14	+ 9
5	Retirements	– 2	– 4	– 5	–	–	– 1	–	– 1	– 14	– 2	– 1	– 4
	Foreign securities:												
6	Trade in outstanding issues	–	– 9	– 2	+ 2	+ 1	–	+ 2	+ 1	+ 1	– 1	+ 1	+ 1
7	New issues	–	–	– 2	–	–	–	–	–	–	–	–	–
	Loans by Government of Canada:												
10	Repayment of post-war loans	–	–	–	+ 15	–	–	–	+ 15	–	–	–	–
11	Repayment of war-loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8
14	Change in Canadian dollar holdings of foreigners	+ 19	– 17	+ 3	+ 4	+ 13	+ 5	– 14	+ 12	– 16	– 16	+ 4	+ 17
16	Change in official holdings of sterling (increase, minus)	+ 1	+ 2	– 1	–	+ 1	– 3	– 1	+ 4	+ 1	– 5	+ 4	+
17	Other capital movements	– 62	+ 40	+ 68	+ 11	+ 9	+ 5	+ 2	+ 5	– 5	–	+ 17	+ 1
E	**Net Capital Movement**	+ 3	+ 39	+ 93	+ 64	+ 50	+ 82	+ 70	+ 97	+ 34	+ 68	+ 74	+ 5
G	**Balance Settled by Exchange Transfers**	– 74	–138	–161	–156	–113	–116	–139	–183	– 58	– 97	–127	– 9
	Total financing of current account balance (item C)	– 71	– 99	– 68	– 92	– 63	– 34	– 69	– 86	– 24	– 29	– 53	– 3

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1955-1957 — Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1955				1956				1957[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Rest of the Sterling Area:												
1	Merchandise exports	55	65	76	58	58	75	61	62	55	63	56	72
	Other current receipts	16	14	16	18	15	18	16	19	11	17	13	28
12	Total current receipts	71	79	92	76	73	93	77	81	66	80	69	100
1	Merchandise imports	38	57	58	58	41	57	65	59	40	70	67	62
	Other current payments	11	9	14	13	16	17	10	11	13	17	14	23
12	Total current payments	49	66	72	71	57	74	75	70	53	87	81	85
	Current Account Balance	**+ 22**	**+ 13**	**+ 20**	**+ 5**	**+ 16**	**+ 19**	**+ 2**	**+ 11**	**+ 13**	**– 7**	**– 12**	**+ 15**
	Non-Sterling Area Overseas Countries:												
1	Merchandise exports	149	185	182	192	173	269	233	234	230	247	246	260
	Other current receipts	27	42	37	36	36	59	46	60	45	58	50	50
12	Total current receipts	176	227	219	228	209	328	279	294	275	305	296	310
1	Merchandise imports	122	158	168	195	172	217	221	219	174	220	232	225
	Other current payments	55	64	73	68	72	69	86	81	82	85	88	80
12	Total current payments	177	222	241	263	244	286	307	300	256	305	320	305
	Current Account Balance	**– 1**	**+ 5**	**– 22**	**– 35**	**– 35**	**+ 42**	**– 28**	**– 6**	**+ 19**	**–**	**– 24**	**+ 5**
	Current Account Balance with above Areas	**+ 21**	**+ 18**	**– 2**	**– 30**	**– 19**	**+ 61**	**– 26**	**+ 5**	**+ 32**	**– 7**	**– 36**	**+ 20**
	Capital Account:												
	Direct investment:												
1	Direct investment in Canada	+ 15	+ 6	+ 9	+ 13	+ 27	+ 28	+ 12	+ 12	+ 8	+ 29	+ 9	+ 6
2	Direct investment abroad	– 4	– 2	– 5	– 6	– 8	– 11	– 6	– 6	– 11	– 11	– 11	–
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	– 4	+ 5	– 3	– 2	+ 11	+ 8	+ 6	+ 10	+ 7	+ 6	+ 5	+ 7
3b	Trade in outstanding common and preference stocks	+ 4	+ 6	+ 6	+ 2	+ 6	+ 11	+ 17	+ 13	+ 8	+ 15	+ 19	+ 3
4	New issues	+ 4	+ 14	+ 5	+ 1	+ 2	+ 6	+ 4	+ 18	+ 4	+ 6	+ 4	+ 2
5	Retirements	–	– 2	– 1	– 1	– 4	–	– 2	–	– 1	– 2	– 3	– 1
	Foreign securities:												
6	Trade in outstanding issues	–	+ 1	–	+ 2	+ 1	+ 2	+ 1	+ 2	–	+ 1	+ 1	–
7	New issues	– 1	– 16	–	– 21	– 1	– 2	–	– 2	–	– 1	– 5	– 2
8	Retirements	1	–	+ 14	–	–	–	–	–	–	+ 1	–	–
10	Repayment of post-war loans by Government of Canada	–	+ 10	+ 2	+ 12	–	+ 13	–	+ 11	–	+ 11	–	+ 9
14	Change in Canadian dollar holdings of foreigners	–	+ 16	+ 1	– 3	+ 3	– 4	+ 2	+ 7	– 15	+ 4	–	+ 4
17	Other capital movements	– 1	+ 15	– 19	+ 1	+ 13	+ 14	– 6	+ 3	+ 16	+ 3	+ 11	– 9
	Net Capital Movement	**+ 14**	**+ 53**	**+ 9**	**– 2**	**+ 50**	**+ 65**	**+ 28**	**+ 68**	**+ 16**	**+ 62**	**+ 30**	**+ 19**
	Balance Settled by Exchange Transfers	**– 35**	**– 71**	**– 7**	**+ 32**	**– 31**	**–126**	**– 2**	**– 73**	**– 48**	**– 55**	**+ 6**	**– 39**
	Total financing of current account balance (item C)	**– 21**	**– 18**	**+ 2**	**+ 30**	**+ 19**	**– 61**	**+ 26**	**– 5**	**– 32**	**+ 7**	**+ 36**	**– 20**

[1] Subject to revision.

TABLE V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1957

(exclusive of short-term commercial indebtedness and blocked currencies)

Item	1926	1930	1933	1939	1945	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
	billions of dollars														
Canadian Liabilities (Foreign capital invested in Canada):															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.3	3.6	4.0	4.5	5.2	6.0	6.8	7.7	8.8	9.[illegible]
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.6	1.8	2.0	2.1	2.0	2.1	2.1	1.9	2.1	2.[illegible]
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.1	3.1	3.5	3.[illegible]
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.[illegible]
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4[4]	0.5	0.6	0.6	0.8	0.[illegible]
Total non-resident long-term investment in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**7.5**	**8.0**	**8.7**	**9.5**	**10.4**	**11.5**	**12.5**	**13.5**	**15.6**	**17.[illegible]**
Equity of non-residents in Canadian assets abroad	[2]	[2]	[2]	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.8	0.[illegible]
Canadian dollar holdings of non-residents	[2]	[2]	[2]	0.3	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4	0.4	0.[illegible]
Canadian short-term assets of IBRD and IMF	—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.[illegible]
Gross Liabilities	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.4**	**8.9**	**9.9**	**10.6**	**11.4**	**12.6**	**13.7**	**14.8**	**17.0**	**18.[illegible]**
United States	3.5	4.9	4.7	4.5	5.4	6.0	6.4	7.1	7.9	8.5	9.5	10.3	11.1	12.6	13.[illegible]
United Kingdom	2.7	2.9	2.8	2.6	1.8	1.7	1.8	2.0	1.9	2.0	2.2	2.3	2.5	2.8	3.[illegible]
Other countries, IBRD and IMF	0.2	0.2	0.2	0.3	0.4	0.7	0.7	0.8	0.8	0.9	1.0	1.0	1.2	1.5	1.[illegible]
Canadian Assets (Canadian capital invested abroad):															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.8	0.9	1.0	1.2	1.3	1.5	1.6	1.7	1.9	2.[illegible]
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.8[4]	0.9	0.9	1.0	1.0	1.[illegible]
Government of Canada loans and advances VII	—	—	—	—	0.7	1.9	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.[illegible]
Government of Canada subscriptions to IBRD, IFC and IMF	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.[illegible]
Total Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**3.6**	**4.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**	**4.7**	**4.8**	**5.[illegible]**
Government of Canada holdings of gold and foreign exchange VI	[2]	[2]	[2]	0.5	1.7	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.[illegible]
Other Canadian short-term assets abroad	[3]	[3]	[3]	—	0.1	—	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.5	0.[illegible]
Gross Assets	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**4.7**	**5.2**	**5.9**	**6.0**	**6.4**	**6.6**	**6.9**	**6.9**	**7.2**	**7.[illegible]**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.[illegible]
United States[1]	0.7	0.9	0.8	0.9	0.9	0.8	1.1	1.1	1.4	1.7	2.0	2.1	2.2	2.5	2.[illegible]
United Kingdom[1]	0.1	0.1	—	0.1	0.7	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.[illegible]
Other countries, IBRD, IFC and IMF	0.5	0.5	0.6	0.4	0.5	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.[illegible]
Canadian Net International Indebtedness:															
Net Liabilities	**5.1**	**6.5**	**6.3**	**5.5**	**3.9**	**3.7**	**3.7**	**4.0**	**4.6**	**5.0**	**6.0**	**6.8**	**7.9**	**9.8**	**11.[illegible]**
Government of Canada holdings of gold and foreign exchange	—	—	—	−0.5	−1.7	−1.0	−1.2	−1.9	− 1.8	− 1.8	− 1.8	− 1.9	− 1.9	− 1.9	− 1.[illegible]
United States[1]	2.8	4.0	3.9	3.6	4.6	5.2	5.3	6.0	6.5	6.8	7.5	8.2	8.9	10.1	10.[illegible]
United Kingdom[1]	2.6	2.8	2.8	2.5	1.1	0.2	0.2	0.4	0.4	0.5	0.7	0.9	1.1	1.5	1.[illegible]
Other countries, IBRD, IFC and IMF	−0.3	−0.3	−0.4	−0.1	−0.1	−0.7	−0.6	−0.5	− 0.5	− 0.5	− 0.4	− 0.4	− 0.2	0.1	0.[illegible]

[1] Exclusive of Government of Canada holdings of gold and foreign exchange.
[2] Not available.
[3] Not available; net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
[4] New series not strictly comparable with earlier years.
[5] Preliminary estimate.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further detail pears.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are lued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other co tries.

A dash (—) means "nil" or less than $0.5 million.

For more detailed treatment see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars[1], 1950-1957

At end of	1950	1951	1952	1953	1954	1955	1956	1957
	millions of U.S. dollars							
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,94[illegible]
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,88[illegible]
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,82[illegible]

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Accounts and other Government acco and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad[1], Selected Year Ends, 1926-1956

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investments in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
All Countries:											
1926	...	...	...	...	397	...	...	493	890	36	926
1930	...	...	...	...	443	...	...	789	1,232	31	1,263
1939	249	289	123	10	671[3]	511	208	719[3]	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
1952	326	771	163	11	1,271	669[3]	161	830	2,101	1,866	3,967
1953	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
1954	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
1955	438	1,002	291	18	1,749	767	226	993	2,742	1,635	4,377
1956	418	1,119	340	26	1,903	775	223	998	2,901	1,565	4,466
The United States:											
1926	...	...	...	...	250	...	...	195	445	—	445
1930	...	...	...	...	260	...	...	459	719	—	719
1939	211	176	21	4	412[3]	380	121	501[3]	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1951	288	549	71	4	912	289	87	376	1,288	—	1,288
1952	293	572	95	8	968	450[3]	86	536	1,504	—	1,504
1953	365	632	123	7	1,127	469	95	564	1,691	—	1,691
1954	390	695	145	10	1,240	490	89	579	1,819	—	1,819
1955	393	719	175	14	1,301	539	89	628	1,929	—	1,929
1956	378	817	190	22	1,407	551	84	635	2,042	—	2,042
The United Kingdom:											
1926	...	...	...	...	7	...	...	45	52	—	52
1930	...	...	...	...	14	...	...	45	59	—	59
1939	—	53	—	6	59[3]	22	21	43[3]	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1951	1	73	—	—	74	17	17	34	108	1,394	1,502
1952	1	80	—	—	81	17	14	31	112	1,357	1,469
1953	1	103	—	—	104	16	13	29	133	1,292	1,425
1954	1	118	—	—	119	17	14	31	150	1,247	1,397
1955	2	128	—	1	131	29	17	46	177	1,202	1,379
1956	3	135	—	1	139	32	16	48	187	1,157	1,344
Other Commonwealth Countries[2]:											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	6	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	6	73	54	—	133	6	8	14	147	—	147
1954	4	74	60	—	138	6	7	13	151	—	151
1955	4	83	72	—	159	7	21	28	187	—	187
1956	8	85	98	—	191	7	21	28	219	—	219
Other Foreign Countries:											
1926	...	...	...	...	140[4]	...	...	253[4]	393[4]	36	429[4]
1930	...	...	...	...	169[4]	105	180	285[4]	454[4]	31	485[4]
1939	31	30	85	—	146[3]	102	51	153[3]	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1951	25	39	26	2	92	155	30	185	277	528	805
1952	25	49	33	3	110	196	53	249	359	509	868
1953	30	51	38	2	121	199	63	262	383	486	869
1954	32	57	40	2	131	210	93	303	434	458	892
1955	39	72	44	3	158	192	99	291	449	433	882
1956	29	82	52	3	166	185	102	287	453	408	861

[1] Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the ernment of Canada to the International Bank for Reconstruction and Development, the International Finance Corporation and the International Monetary Fund, ch are partly offset by short term assets in Canada of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian panies (Table V).

[2] Including investments in Newfoundland prior to 1949.

[3] New series not strictly comparable with earlier years.

[4] Including investments in Other Commonwealth Countries.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1956

Classification by Type of Security and Nature of National Ownership

Long term investments in Canada	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	195
	millons of dollars													
By Type of Assets														
Bonds and debentures:														
Government and municipal[1]	1,706	1,662	2,103	2,087	2,056	1,868	2,134	1,205	1,450	1,898	1,870	1,822	1,639	1,8
Steam railways	1,481	843	676	619	604	538	504	598	495	335	287	274	213	1
Other corporations	796	561	674	1,080	1,162	1,226	1,481	600	414	542	903	981	1,023	1,2
Sub-total	**3,983**	**3,066**	**3,453**	**3,786**	**3,822**	**3,632**	**4,119**	**2,403**	**2,359**	**2,775**	**3,060**	**3.077**	**2,875**	**3,2**
Capital stock of Canadian companies	2,856	3,194	4,745	5,722	6,285	6,938	8,012	1,832	2,088	3,477	4,237	4,620	5,028	5,7
Other corporation assets[2]	480	548	951	1,486	1,774	2,090	2,355	331	413	812	1,316	1,563	1,840	2,0
Income accumulating investment funds	—	—	—	—	102	170	249	—	—	—	—	102	170	2
Miscellaneous investments	295	284	328	467[3]	561	641	821	94	130	195	257[3]	302	367	4
Total investments	**7,614**	**7,092**	**9,477**	**11,461**	**12,544**	**13,471**	**15,556**	**4,660**	**4,990**	**7,259**	**8,870**	**9,664**	**10,280**	**11,**
By Nature of National Ownership														
I. Direct Investments (controlled in country of ownership):														
Bonds and debentures:														
Steam railways	52	46	36	36	37	36	36	42	38	29	29	29	29	
Other corporations	357	281	346	580	615	718	763	294	254	319	550	589	676	
Sub-total	**409**	**327**	**382**	**616**	**652**	**754**	**799**	**336**	**292**	**348**	**579**	**618**	**705**	
Capital stock of Canadian companies	1,543	1,860	3,205	3,951	4,399	4,938	5,729	1,330	1,613	2,750	3,356	3,659	4,022	4,(
Other corporation assets[2]	475	526	933	1,436	1,713	2,033	2,301	327	399	798	1,271	1,510	1,789	1,(
Total direct investments	**2,427**	**2,713**	**4,520**	**6,003**	**6,764**	**7,725**	**8,829**	**1,993**	**2,304**	**3,896**	**5,206**	**5,787**	**6,516**	**7,**
II. Government and Municipal Bonds[1]	**1,706**	**1,662**	**2,103**	**2,087**	**2,056**	**1,868**	**2,134**	**1,205**	**1,450**	**1,898**	**1,870**	**1,822**	**1,639**	**1,**
III. Other Portfolio Investments (not controlled in country of ownership):														
Bonds and debentures:														
Steam railways — Controlled in Canada	1,427	795	637	580	564	499	467	556	457	306	258	245	184	
— controlled in other countries	2	2	3	3	3	3	1	—	—	—	—	—	—	
Other corporations — controlled in Canada	421	220	239	369	415	369	478	301	158	214	344	383	331	
— controlled in other countries	18	60	89	131	132	139	240	5	2	9	9	9	16	
Sub-total	**1,868**	**1,077**	**968**	**1,083**	**1,114**	**1,010**	**1,186**	**862**	**617**	**529**	**611**	**637**	**531**	
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,423	1,624	1,753	1,840	2,078	484	462	709	854	930	963	1,
Companies controlled in other countries	80	85	117	147	133	160	205	18	13	18	27	31	43	
Other corporation assets[2]:														
Companies controlled in Canada	5	16	11	39	45	42	33	4	13	10	38	41	38	
Companies controlled in other countries	—	6	7	11	16	15	21	—	1	4	7	12	13	
Income accumulating investment funds	—	—	—	—	102	170	249	—	—	—	—	102	170	
Total other portfolio investments	**3,186**	**2,433**	**2,526**	**2,904**	**3,163**	**3,237**	**3,772**	**1,368**	**1,106**	**1,270**	**1,537**	**1,753**	**1,758**	**2,**
IV. Miscellaneous Investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	467[3]	561	641	821	94	130	195	257[3]	302	367	
SUMMARY														
I. Direct investments	2,427	2,713	4,520	6,003	6,764	7,725	8,829	1,993	2,304	3,896	5,206	5,787	6,516	7,
II. Government and municipal bonds	1,706	1,662	2,103	2,087	2,056	1,868	2,134	1,205	1,450	1,898	1,870	1,822	1,639	1,
III. Other portfolio investments	3,186	2,433	2,526	2,904	3,163	3,237	3,772	1,368	1,106	1,270	1,537	1,753	1,758	2,
IV. Miscellaneous investments	295	284	328	467[3]	561	641	821	94	130	195	257[3]	302	367	
Total investments	**7,614**	**7,092**	**9,477**	**11,461**	**12,544**	**13,471**	**15,556**	**4,660**	**4,990**	**7,259**	**8,870**	**9,664**	**10,280**	**11,**

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1956 – Concluded

Classification by Type of Security and Nature of National Ownership

Long term investments in Canada	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	1956
	millions of dollars													
By Type of Assets														
Bonds and debentures:														
Government and municipal[1]	486	157	146	150	144	141	152	15	55	59	67	90	88	111
Steam railways	862	316	309	300	298	296	296	21	32	32	32	32	29	26
Other corporations	171	116	104	149	153	156	174	25	31	28	28	28	47	72
Sub-total	**1,519**	**589**	**559**	**599**	**595**	**593**	**622**	**61**	**118**	**119**	**127**	**150**	**164**	**209**
Capital stock of Canadian companies	942	973	1,044	1,166	1,291	1,420	1,640	82	133	224	319	374	490	635
Other corporation assets[2]	134	103	110	127	154	179	231	15	32	29	43	57	71	88
Miscellaneous investments	171	85	65	116[3]	137	157	168	30	69	68	94[3]	122	117	178
Total investments	**2,766**	**1,750**	**1,778**	**2,008**	**2,177**	**2,349**	**2,661**	**188**	**352**	**440**	**583**	**703**	**842**	**1,110**
By Nature of National Ownership														
Direct Investments (controlled in country of ownership):														
Bonds and debentures:														
Steam railways	10	8	7	7	8	7	7	–	–	–	–	–	–	–
Other corporations	49	13	13	15	13	10	21	14	14	14	15	13	32	32
Sub-total	**59**	**21**	**20**	**22**	**21**	**17**	**28**	**14**	**14**	**14**	**15**	**13**	**32**	**32**
Capital stock of Canadian companies	200	226	369	466	587	689	784	13	21	86	129	153	227	307
Other corporation assets[2]	133	101	108	124	151	178	230	15	26	27	41	52	66	84
Total direct investments	**392**	**348**	**497**	**612**	**759**	**884**	**1,042**	**42**	**61**	**127**	**185**	**218**	**325**	**423**
Government and Municipal Bonds[1]	**486**	**157**	**146**	**150**	**144**	**141**	**152**	**15**	**55**	**59**	**67**	**90**	**88**	**111**
Other Portfolio Investments (not controlled in country of ownership):														
Bonds and debentures:														
Steam railways – controlled in Canada	850	306	299	290	287	286	288	21	32	32	32	32	29	26
– controlled in other countries	2	2	3	3	3	3	1	–	–	–	–	–	–	–
Other corporations – controlled in Canada	116	46	11	12	18	24	22	4	16	14	13	14	14	20
– controlled in other countries	6	57	80	122	122	122	131	7	1	–	–	1	1	20
Sub-total	**974**	**411**	**393**	**427**	**430**	**435**	**442**	**32**	**49**	**46**	**45**	**47**	**44**	**66**
Capital stock of Canadian companies:														
Companies controlled in Canada	685	691	602	617	648	672	782	64	96	112	153	175	205	240
Companies controlled in other countries	57	56	63	83	56	59	74	5	16	26	37	46	58	88
Other corporation assets[2]:														
Companies controlled in Canada	1	2	1	1	1	1	1	–	1	–	–	3	3	1
Companies controlled in other countries	–	–	1	2	2	–	–	–	5	2	2	2	2	3
Total other portfolio investments	**1,717**	**1,160**	**1,070**	**1,130**	**1,137**	**1,167**	**1,299**	**101**	**167**	**186**	**237**	**273**	**312**	**398**
Miscellaneous Investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	65	116[3]	137	157	168	30	69	68	94[3]	122	117	178
SUMMARY														
Direct investments	392	348	497	612	759	884	1,042	42	61	127	185	218	325	423
Government and municipal bonds	486	157	146	150	144	141	152	15	55	59	67	90	88	111
Other portfolio investments	1,717	1,160	1,070	1,130	1,137	1,167	1,299	101	167	186	237	273	312	398
Miscellaneous investments	171	85	65	116[3]	137	157	168	30	69	68	94[3]	122	117	178
Total investments	**2,766**	**1,750**	**1,778**	**2,008**	**2,177**	**2,349**	**2,661**	**188**	**352**	**440**	**583**	**703**	**842**	**1,110**

[1] For division of Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long term investments.
[3] New series not strictly comparable with earlier years.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1956

Classification by Type of Investment

Long term investments in Canada by type of investment	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	1956
	millions of dollars													
Government securities:														
Dominion	682	726	1,013	744	659	529	502	440	682	887	608	515	393	34
Provincial	592	624	771	930	964	888	1,081	517	574	732	886	914	836	1,02
Municipal	432	312	319	413	433	451	551	248	194	279	376	393	410	51
Sub-total	**1,706**	**1,662**	**2,103**	**2,087**	**2,056**	**1,868**	**2,134**	**1,205**	**1,450**	**1,898**	**1,870**	**1,822**	**1,639**	**1,8**
Manufacturing:														
Vegetable products	208	268	366	424	443	477	521	123	199	277	323	338	365	4
Animal products	50	61	74	89	97	103	104	44	47	64	78	84	91	
Textiles	49	83	117	115	120	121	128	26	41	61	59	62	65	
Wood and paper products	586	455	718	840	939	997	1,110	489	383	568	682	774	826	9
Iron and products	262	319	530	699	722	894	1,084	233	297	492	649	668	769	8
Non-ferrous metals	125	274	463	694	727	786	896	118	209	367	543	571	619	7
Non-metallic minerals	24	57	80	111	126	137	162	19	48	60	78	91	87	1
Chemicals and allied products	122	169	297	366	430	452	496	89	124	227	276	294	304	3
Miscellaneous manufactures	33	37	70	93	117	59	65	33	34	57	66	79	53	
Sub-total (excluding petroleum refining)	**1,459**	**1,723**	**2,715**	**3,431**	**3,721**	**4,026**	**4,566**	**1,174**	**1,382**	**2,173**	**2,754**	**2,961**	**3,179**	**3,6**
Petroleum and natural gas	150	157	693	1,252	1,488	1,854	2,257	147	149	682	1,205	1,426	1,717	2,0
Other mining and smelting	311	359	586	823	981	1,121	1,332	234	280	497	725	867	975	1,1
Public utilities:														
Railways	2,244	1,599	1,436	1,424	1,428	1,364	1,425	832	720	656	624	627	560	5
Other (excluding pipelines)	634	493	524	559	570	575	629	522	374	439	470	470	434	4
Sub-total	**2,878**	**2,092**	**1,960**	**1,983**	**1,998**	**1,939**	**2,054**	**1,354**	**1,094**	**1,095**	**1,094**	**1,097**	**994**	**9**
Merchandising	190	220	377	493	571	616	691	125	158	260	353	412	448	5
Financial institutions	543	525	595	774	1,014	1,229	1,495	251	285	353	482	649	815	9
Other enterprises	82	70	120	151	154	177	206	76	62	106	130	128	146	1
Miscellaneous investments	295	284	328	467	561	641	821	94	130	195	257	302	367	4
Total investments	**7,614**	**7,092**	**9,477**	**11,461**	**12,544**	**13,471**	**15,556**	**4,660**	**4,990**	**7,259**	**8,870**	**9,664**	**10,280**	**11,7**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	19
Government securities:														
Dominion	235	—	70	79	71	67	72	7	44	56	57	73	69	
Provincial	69	45	38	36	38	39	45	6	5	1	8	12	13	
Municipal	182	112	38	35	35	35	35	2	6	2	2	5	6	
Sub-total	**486**	**157**	**146**	**150**	**144**	**141**	**152**	**15**	**55**	**59**	**67**	**90**	**88**	**1**
Manufacturing:														
Vegetable products	84	66	80	93	96	100	102	1	3	9	8	9	12	
Animal products	5	6	5	5	6	6	7	1	8	5	6	7	6	
Textiles	22	38	52	53	55	54	56	1	4	4	3	3	2	
Wood and paper products	95	64	140	147	151	156	153	2	8	10	11	14	15	
Iron and products	24	12	28	37	37	103	152	5	10	10	13	17	22	
Non-ferrous metals	6	64	91	142	146	153	175	1	1	5	9	10	14	
Non-metallic minerals	5	8	20	27	27	33	31	—	1	—	6	8	17	
Chemicals and allied products	32	36	60	77	121	132	137	1	9	10	13	15	16	
Miscellaneous manufactures	—	2	12	26	37	4	4	—	1	1	1	1	2	
Sub-total (excluding petroleum refining)	**273**	**296**	**488**	**607**	**676**	**741**	**817**	**12**	**45**	**54**	**70**	**84**	**106**	**1**
Petroleum and natural gas	3	7	7	14	17	30	72	—	1	4	33	45	107	
Other mining and smelting	72	60	58	59	68	86	117	5	19	31	39	46	60	
Public utilities:														
Railways	1,352	806	704	702	699	698	765	60	73	76	98	102	106	
Other (excluding pipelines)	100	90	56	57	65	86	97	12	29	29	32	35	55	
Sub-total	**1,452**	**896**	**760**	**759**	**764**	**784**	**862**	**72**	**102**	**105**	**130**	**137**	**161**	
Merchandising	61	57	102	120	136	145	158	4	5	15	20	23	23	
Financial institutions	243	186	142	167	213	240	286	49	54	100	125	152	174	
Other enterprises	5	6	10	16	22	25	29	1	2	4	5	4	6	
Miscellaneous investments	171	85	65	116	137	157	168	30	69	68	94	122	117	
Total investments	**2,766**	**1,750**	**1,778**	**2,008**	**2,177**	**2,349**	**2,661**	**188**	**352**	**440**	**583**	**703**	**842**	**1,**

[1] New series not strictly comparable with earlier years.

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends, 1930-1956

Classification by Type of Business

Direct investment in Canada by type of business	A. Owned by all Non-Residents							B. Owned by United States						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	1956
	millions of dollars													
nufacturing:														
Vegetable products	165	200	291	351	373	391	438	94	140	214	261	279	302	343
Animal products	42	47	66	77	84	91	92	38	44	60	70	76	83	83
Textiles	33	56	86	85	92	98	105	20	28	46	43	47	53	58
Wood and paper products	378	348	564	682	763	812	875	334	316	454	560	642	687	754
Iron and products	203	277	467	617	638	805	979	199	272	451	591	606	706	818
Non-ferrous metals	116	211	375	541	570	624	726	113	203	362	519	543	585	661
Non-metallic minerals	20	43	74	99	111	122	136	17	39	59	72	82	79	84
Chemicals and allied products	102	144	257	317	411	432	476	86	118	219	266	281	291	327
Miscellaneous manufactures	31	33	68	91	114	57	63	31	31	56	65	77	52	58
Sub-Total (excluding petroleum refining)	**1,090**	**1,359**	**2,248**	**2,860**	**3,156**	**3,432**	**3,890**	**932**	**1,191**	**1,921**	**2,447**	**2,633**	**2,838**	**3,186**
Petroleum and Natural gas	142	138	641	1,164	1,384	1,754	2,119	141	138	636	1,130	1,344	1,638	1,953
Other mining and smelting	217	240	419	580	671	812	908	191	218	397	561	650	781	857
Utilities (excluding pipelines)	450	375	361	320	319	320	291	423	358	341	298	298	270	222
Merchandising	160	202	361	434	501	538	613	109	147	249	301	348	377	437
Financial institutions	304	339	378	504	590	705	814	136	198	253	347	396	475	550
Other enterprises	64	60	112	141	143	164	194	61	54	99	122	118	137	159
Total	**2,427**	**2,713**	**4,520**	**6,003**	**6,764**	**7,725**	**8,829**	**1,993**	**2,304**	**3,896**	**5,206**	**5,787**	**6,516**	**7,364**

	C. Owned by United Kingdom							D. Owned by all Other Countries						
	1930	1945	1951	1953	1954	1955	1956	1930	1945	1951	1953	1954	1955	1956
Manufacturing:														
Vegetable products	71	60	74	86	90	85	88	—	—	3	4	4	4	7
Animal products	3	3	3	3	4	4	5	1	—	3	4	4	4	4
Textiles	13	26	38	41	44	45	47	—	2	2	1	1	—	—
Wood and paper products	44	30	109	121	120	124	120	—	2	1	1	1	1	1
Iron and products	3	4	14	21	23	87	133	1	1	2	5	9	12	28
Non-ferrous metals	3	8	10	15	19	27	49	—	—	3	7	8	12	16
Non-metallic minerals	3	4	15	22	21	26	23	—	—	—	5	8	17	29
Chemicals and allied products	15	19	30	42	119	130	135	1	7	8	9	11	11	14
Miscellaneous manufactures	—	2	12	26	37	4	4	—	—	—	—	—	1	1
Sub-Total (excluding petroleum refining)	**155**	**156**	**305**	**377**	**477**	**532**	**604**	**3**	**12**	**22**	**36**	**46**	**62**	**100**
Petroleum and Natural gas	1	—	4	9	7	22	56	—	—	1	25	33	94	110
Other mining and smelting	25	22	18	15	17	27	48	1	—	4	4	4	4	3
Utilities (excluding pipeline)	27	16	16	16	16	33	39	—	1	4	6	5	17	30
Merchandising	48	51	97	115	131	139	150	3	4	15	18	22	22	26
Financial institutions	133	98	48	65	90	108	117	35	43	77	92	104	122	147
Other enterprises	3	5	9	15	21	23	28	—	1	4	4	4	4	7
Total	**392**	**348**	**497**	**612**	**759**	**884**	**1,042**	**42**	**61**	**127**	**185**	**218**	**325**	**423**

[1] Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

TABLE XI. Number of Canadian Concerns Controlled Abroad[1], End of 1956

Classification by Country of Ownership and Type of Business

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in Other Countries			Controlled outside Canada
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
Manufacturing:										
Vegetable products	131	5	136	50	2	52	8	—	8	19
Animal products	62	—	62	5	1	6	4	—	4	7
Textiles	82	1	83	22	2	24	4	—	4	11
Wood and paper products	187	15	202	24	2	26	10	—	10	23
Iron and products	388	23	411	75	1	76	17	—	17	50
Non-ferrous metals	234	7	241	39	2	41	15	—	15	29
Non-metallic minerals	62	—	62	21	—	21	6	—	6	8
Chemicals and allied products	281	33	314	49	2	51	13	2	15	38
Miscellaneous manufactures	89	5	94	9	—	9	4	—	4	10
Sub-total (excluding petroleum refining)	**1,516**	**89**	**1,605**	**294**	**12**	**306**	**81**	**2**	**83**	**1,99**
Petroleum and natural gas	288	64	352	10	2	12	13	—	13	37
Other mining and smelting	173	35	208	37	1	38	10	1	11	25
Utilities:										
Railways	8	4	12	4	—	4	—	—	—	1
Other utilities (excluding pipelines)	80	19	99	33	4	37	41	6	47	18
Merchandising	742	113	855	303	39	342	91	5	96	1,29
Financial:										
Financial institutions except insurance	48	8	56	24	1	25	8	—	8	8
Insurance	13	190	203	23	86	109	7	44	51	36
Real estate	59	3	62	21	4	25	18	—	18	10
Other holding companies[2]	46	9	55	35	2	37	33	1	34	12
Other enterprises	441	95	536	77	7	84	32	5	37	65
Total, all companies, 1956[3]	**3,414**	**629**	**4,043**	**861**	**158**	**1,019**	**334**	**64**	**398**	**5,46**
Total, all companies, 1945[4]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**	**2,52**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tabl
[2] Excludes non-resident owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 711; in the U.K. 239; in other countries 46.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1955

Industry classification	1926	1930	1939	1948	1951	1952	1953	1954	1955
Percentage of total owned by all non-residents:[1]									
Manufacturing	38	40	42	42	45	46	47	48	4
Mining, smelting and petroleum exploration and development	37	44	40	39	51	54	56	59	6
Steam railways	55	56	57	45	50	38	37	35	3
Other utilities	32	36	27	20	17	17	17	16	
Total of above industries and merchandising[2]	**37**	**39**	**38**	**32**	**31**	**32**	**32**	**32**	3
Percentage of total owned by United States residents:[1]									
Manufacturing	30	33	34	35	37	38	39	39	4
Mining, smelting and petroleum exploration and development	28	34	31	32	45	49	52	54	
Steam railways	15	21	18	21	18	17	16	15	
Other utilities	23	30	20	16	15	15	15	14	
Total of above industries and merchandising[2]	**19**	**24**	**22**	**23**	**24**	**24**	**25**	**25**	2

[1] For treatment of the petroleum industry see Statistical Note on page 33 of this report. See also Table XV.
[2] Corporations engaged in the construction industry are included in the post-war period.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-1957

Year	Total Non-Resident Investment			Percentage of Total Non-Resident Investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other Countries
	millions of dollars			%	%	%
00[2]	...	...	1,232	14	85	1
14[3]	...	...	3,837	23	72	5
18[3]	...	...	4,536	36	60	4
26	1,782	4,221	6,003	53	44	3
30	2,427	5,187	7,614	61	36	3
33	2,352	5,013	7,365	61	36	3
39	2,296	4,617	6,913	60	36	4
45	2,713	4,379	7,092	70	25	5
46	2,826	4,355	7,181	72	23	5
47	2,986	4,205	7,191	72	23	5
48	3,270	4,239	7,509	74	22	4
49	3,586	4,377	7,963	74	22	4
50	3,975	4,689	8,664	76	20	4
51	4,520	4,957	9,477	76	19	5
52	5,218	5,167	10,385	77	18	5
53	6,003	5,458	11,461	77	18	5
54	6,764	5,780	12,544	77	17	6
55	7,725	5,746	13,471	76	18	6
56	8,829	6,727	15,556	76	17	7
57	9,850[4]	7,250[4]	17,100[4]	76	17	7

Year	Investment by Residents of the United States			Investment by Residents of the United Kingdom			Investment by Residents of Other Countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
	millions of dollars								
00[2]	...	...	168	...	...	1,050	...	...	14
14[3]	...	...	881	...	...	2,778	...	...	178
18[3]	...	...	1,630	...	...	2,729	...	...	177
26	1,403	1,793	3,196	336	2,301	2,637	43	127	170
30	1,993	2,667	4,660	392	2,374	2,766	42	146	188
33	1,933	2,559	4,492	376	2,307	2,683	43	147	190
39	1,881	2,270	4,151	366	2,110	2,476	49	237	286
45	2,304	2,686	4,990	348	1,402	1,750	61	291	352
46	2,428	2,730	5,158	335	1,335	1,670	63	290	353
47	2,548	2,653	5,201	372	1,275	1,647	66	277	343
48	2,807	2,760	5,567	400	1,210	1,610	63	269	332
49	3,095	2,811	5,906	428	1,289	1,717	63	277	340
50	3,426	3,123	6,549	468	1,282	1,750	81	284	365
51	3,896	3,363	7,259	497	1,281	1,778	127	313	440
52	4,530	3,467	7,997	544	1,342	1,886	144	358	502
53	5,206	3,664	8,870	612	1,396	2,008	185	398	583
54	5,787	3,877	9,664	759	1,418	2,177	218	485	703
55	6,516	3,764	10,280	884	1,465	2,349	325	517	842
56	7,364	4,421	11,785	1,042	1,619	2,661	423	687	1,110
57	8,200[4]	4,700[4]	12,900[4]	1,150[4]	1,765[4]	2,915[4]	500[4]	785[4]	1,285[4]

[1] Including miscellaneous investments.
[2] Estimated by Dr. Jacob Viner, Canada's Balance of International Indebtedness 1900-1913, (Cambridge 1924).
[3] Estimated by Prof. F.A. Knox, Excursus appearing in Canadian-American Industry, Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics 926 and subsequent years are official data collected by the Dominion Bureau of Statistics.
[4] Provisional estimate subject to revision.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1955

Industry classification	1926	1930	1939	1948	1951	1952	1953	1954	1955
entage of total control by all non-residents:[1]									
nufacturing	35	36	38	43	48	51	52	54	57
ning, smelting and petroleum exploration and development	38	47	42	40	53	56	57	59	66
eam railways	3	3	3	3	2	2	2	2	2
her utilities	20	29	26	24	20	11[3]	11	11	10
Total of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**27**	**28**	**28**	**30**
entage of total control by United States residents:[1]									
nufacturing	30	31	32	39	42	44	44	45	47
ning, smelting and petroleum exploration and development	32	42	38	37	51	53	55	57	64
eam railways	3	3	3	3	2	2	2	2	2
her utilities	20	29	26	24	20	11[3]	11	10	9
Total of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**24**	**26**

[1] For treatment of the petroleum industry see Statistical Note on page 33 of this report. See also Table XV.
[2] Corporations engaged in the construction industry are included in the post-war period.
[3] Ratio altered significantly through unusually large reclassification between foreign and Canadian-controlled companies.

TABLE XV. Ownership and Control of Selected Canadian Industries, 1954 and 1955[1]

No.	Company classification	Estimated total investment	Investment Owned in:			
			Canada	United States	United Kingdom	Other Countries
		millions of dollars				
	End of 1954[2]					
	Petroleum:[3]					
1	Exploration and development	1,065	383	661	7	
2	Refining	978	405	535	8	
3	Merchandising	58	50	8	–	
4	Transportation	214	55	158	1	
5	**Sub-total**	**2,315**	**893**	**1,362**	**16**	
	Mining:					
6	Smelting and refining of non-ferrous native ores	715	293	313	72	
7	Other mining	1,148	457	643	33	
8	**Sub-total**	**1,863**	**750**	**956**	**105**	
	Other Manufacturing:[4]					
9	Pulp and paper	1,433	699	599	130	
10	Textiles	605	477	70	55	
11	Chemicals	654	233	285	121	
12	Transportation equipment n.o.p.	245	161	47	37	
13	Electrical apparatus	402	121	250	22	
14	Agricultural machinery	155	100	53		
15	Primary iron and steel	390	326	53	9	
16	Beverages	330	235	82	12	
17	Automobiles and parts	292	62	228	1	
18	Rubber	134	30	94	10	
19	Other	3,644	1,965	1,328	301	
20	**Sub-total**	**8,284**	**4,409**	**3,089**	**698**	
21	**Total of above industries**	**12,462**	**6,052**	**5,407**	**819**	1
	End of 1955					
	Petroleum:[3]					
22	Exploration and development	1,300	396	875	15	
23	Refining	1,195	477	613	13	
24	Merchandising	56	47	9	–	
25	Transportation	224	74	149	1	
26	**Sub-total**	**2,775**	**994**	**1,646**	**29**	1
	Mining:					
27	Smelting and refining of non-ferrous native ores	785	338	326	74	
28	Other mining	1,315	505	741	48	
29	**Sub-total**	**2,100**	**843**	**1,067**	**122**	
	Other Manufacturing:[4]					
30	Pulp and paper	1,442	715	589	132	
31	Textiles	594	473	65	54	
32	Chemicals	737	260	329	132	
33	Transportation equipment n.o.p.	242	139	43	60	
34	Electrical apparatus	411	100	274	26	
35	Agricultural machinery	160	102	56	2	
36	Primary iron and steel	438	372	56	8	
37	Beverages	385	282	89	12	
38	Automobiles and parts	335	66	267	1	
39	Rubber	139	26	102	11	
40	Other	3,976	2,121	1,455	328	
41	**Sub-total**	**8,859**	**4,656**	**3,325**	**766**	
42	**Total of above industries**	**13,734**	**6,493**	**6,038**	**917**	2

[1] The figures in this table are subject to important statistical qualifications which are described in "Canada's International Investment Position 19 1954" pages 68 to 70. The corporate classifications of foreign investment used have been altered in some cases from those appearing elsewhere in this repo correspond more closely with the classification of estimated total investment. The equity of non-residents in the holding of Consolidated Mining and Smel Company of Canada Limited by Canadian Pacific Railway Company has been included under mining.

TABLE XV. Ownership and Control of Selected Canadian Industries, 1954 and 1955[1]

Total Canadian and External Capital in Companies controlled in:			Percentage of Capital Employed Owned in:				Percentage of Capital Employed Controlled in:			
Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other Countries	Canada	United States	Elsewhere outside Canada	No.
millions of dollars			%	%	%	%	%	%	%	
385	661	19	36	62	1	1	36	62	2	1
240	707	31	41	55	1	3	25	72	3	2
50	8	—	86	14	—	—	86	14	—	3
16	198	—	26	74	—	—	7	93	—	4
691	**1,574**	**50**	**39**	**59**	**—**	**2**	**30**	**68**	**2**	5
323	392	—	41	44	10	5	45	55	—	6
492	622	34	40	56	3	1	43	54	3	7
815	**1,014**	**34**	**40**	**51**	**6**	**3**	**44**	**54**	**2**	8
623	648	162	49	42	9	—	44	45	11	9
497	58	50	79	12	9	—	82	10	8	10
163	332	159	36	44	18	2	25	51	24	11
156	51	38	66	19	15	—	64	21	15	12
90	312	51	30	62	4	2	22	56	19	13
104			65	34			67			14
365	25	—	84	14	2	—	94	6	—	15
264	47	19	71	25	4	—	80	14	6	16
15	277	—	22	78	—	—	5	95	—	17
9	112	13	22	70	8	—	7	84	9	18
1,748	1,585	311	54	37	8	1	48	43	9	19
4,034	**3,447**	**803**	**53**	**37**	**9**	**1**	**49**	**41**	**10**	20
5,540	**6,035**	**887**	**49**	**43**	**7**	**1**	**45**	**48**	**7**	21
344	909	47	31	67	1	1	26	70	4	22
124	954	117	40	51	1	8	10	80	10	23
47	9	—	84	16	—	—	84	16	—	24
30	194	—	33	67	—	—	13	87	—	25
545	**2,066**	**164**	**36**	**59**	**1**	**4**	**20**	**74**	**6**	26
246	539	—	43	42	9	6	31	69	—	27
557	712	46	38	56	4	2	43	54	3	28
803	**1,251**	**46**	**40**	**51**	**6**	**3**	**38**	**60**	**2**	29
657	626	159	50	41	9	—	46	43	11	30
488	57	49	80	11	9	—	82	10	8	31
174	373	190	35	45	18	2	23	51	26	32
108	44	90	57	18	25	—	45	18	37	33
76	279	56	24	67	6	3	18	68	14	34
107	53	—	64	35	1	—	67	33	—	35
405	33	—	85	13	2	—	92	8	—	36
333	50	2	73	23	3	1	86	13	1	37
13	322	—	20	80	—	—	4	96	—	38
3	122	14	19	73	8	—	2	88	10	39
1,871	1,780	325	53	37	8	2	47	45	8	40
4,235	**3,739**	**885**	**53**	**37**	**9**	**1**	**48**	**42**	**10**	41
5,583	**7,056**	**1,095**	**47**	**44**	**7**	**2**	**41**	**51**	**8**	42

[2] Revised.
[3] It should be noted that the sub-divisions in this group are corporate and do not reflect the division of operations within individual corporations.
[4] Including "Other Enterprises".

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1955

	1926	1930	1939	1948	1951	1952	1953	1954	1955
	billions of dollars								
Total Capital Employed:[1] [2]									
Manufacturing	3.1	3.9	3.5	5.7	7.3	7.8	8.6	9.3	10.
Mining and smelting	0.6	0.8	0.8	1.1	1.6	2.0	2.5	2.9	3.
Steam railways	3.5	4.0	3.4	3.4	3.6	3.8	3.9	4.1	4.
Other utilities	1.3	1.7	2.1	2.6	3.8	4.3	5.1	5.6	6.
Merchandising[3] and construction[4]	2.1	2.5	2.1	3.2	4.5	5.1	5.6	6.2	6.
Total of above	**10.6**	**12.9**	**11.9**	**16.0**	**20.8**	**23.0**	**25.7**	**28.1**	**30.**
Resident Owned Capital:									
Manufacturing	1.9	2.3	2.0	3.3	4.1	4.1	4.5	4.9	5.
Mining and smelting	0.4	0.5	0.5	0.7	0.8	0.9	1.1	1.2	1.
Steam railways	1.6	1.7	1.5	1.9	2.2	2.4	2.5	2.6	2.
Other utilities	0.9	1.1	1.5	2.1	3.1	3.6	4.3	4.7	5.
Merchandising and construction	1.9	2.3	1.9	2.9	4.1	4.6	5.0	5.6	6.
Total of above	**6.7**	**7.9**	**7.4**	**10.9**	**14.3**	**15.6**	**17.4**	**19.0**	**20.**
Non-Resident Owned Capital:[5]									
Manufacturing	1.2	1.6	1.5	2.4	3.2	3.7	4.1	4.4	4.
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.7	2.
Steam railways	1.9	2.3	1.9	1.5	1.4	1.4	1.4	1.5	1.
Other utilities	0.4	0.6	0.6	0.5	0.7	0.7	0.8	0.9	0.
Merchandising	0.2	0.2	0.2	0.3	0.4	0.5	0.6	0.6	0.
Total of above	**3.9**	**5.0**	**4.5**	**5.1**	**6.5**	**7.4**	**8.3**	**9.1**	**9.**
United States Owned Investments:[5]									
Manufacturing	0.9	1.3	1.2	2.0	2.7	3.0	3.4	3.6	3.
Mining and smelting	0.2	0.3	0.2	0.4	0.7	1.0	1.3	1.6	1.
Steam railways	0.5	0.8	0.6	0.7	0.6	0.6	0.6	0.6	0.
Other utilities	0.3	0.5	0.5	0.4	0.6	0.7	0.7	0.8	0.
Merchandising	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.
Total of above	**2.0**	**3.0**	**2.6**	**3.7**	**4.9**	**5.6**	**6.4**	**7.0**	**7.**
Total Canadian and External Investment in All Companies Controlled Outside of Canada:									
Manufacturing	1.1	1.4	1.3	2.5	3.5	4.0	4.5	5.0	5.
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.7	2.
Steam railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.
Other utilities	0.3	0.5	0.6	0.6	0.8	0.5	0.6	0.6	0.
Merchandising	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.6	0.
Total of above	**1.8**	**2.5**	**2.5**	**3.9**	**5.6**	**6.2**	**7.1**	**8.0**	**9.**
Total Canadian and External Investment in Companies Controlled in the United States:									
Manufacturing	0.9	1.2	1.1	2.2	3.0	3.4	3.8	4.2	4.
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.6	2.
Steam railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.
Other utilities	0.2	0.5	0.6	0.6	0.8	0.5	0.5	0.6	0.
Merchandising	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.
Total of above	**1.5**	**2.2**	**2.2**	**3.5**	**5.0**	**5.4**	**6.2**	**6.9**	**7.**

[1] Based largely on reported statistics of capital employed 1926-1939 and estimated from Taxation Statistics and other sources for subsequent years. See Statistical Notes pages 68-70 in Canada's International Investment Position 1926-1954).

[2] For treatment of the petroleum industry see Statistical Note on page 33 of this report. See also Table XV.

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating only relative magnitudes only.

[4] Corporations engaged in the construction industry are included in the post-war period.

[5] For the post-war years the figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" has been included with manufacturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, it should be recognized that some of the amounts of year to year changes, derived from the table as shown, may have only a limited significance and may from time to time be misleading.


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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1958 AND INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS
International Trade Division
Balance of Payments Section

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1958:

Summary 5
Continued High Level of Current Deficits 6
Effects of Growth on Deficit from Non-Merchandise Transactions 7
Seasonal Factors in the Current Account 8
Quarterly Developments 9
Bilateral Changes 11
Major Components of the Current Account 14
Capital Movements:
Summary 23
Direct Investments 24
Transactions in Portfolio Securities 27
Other Capital Transactions 31

Canada's International Investment Position:

General Review 33
Foreign Ownership and Control of Canadian Industry 36
Foreign Financing of all Canadian Investment 38
Ownership of Canadian Funded Debt 41

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1953-1958 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1956-1958 10
3. Foreign Exchange Rates: U.S. Dollar in Canada, 1957 and 1958 10
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1948-1958 11
4A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-1958 13
5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-1958 14
6. Adjustments to Merchandise Trade, 1957 and 1958 15
7. Major Components of Canada's Current Account with All Countries, 1951-1958 16
7A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1958 17
8. Travel Expenditures between Canada and Other Countries, 1948-1958 18
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-1958 20
10. Freight and Shipping Transactions between Canada and Other Countries, 1952-1958 21
11. Miscellaneous Current Transactions with All Countries, 1956-1958 23
12. United States Direct Investment in Canada, 1946-1958 25
12A. Additional Detail of United States Direct Investment in Canada, 1957 and 1958 25
12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-1957 26
13. Transactions in Canadian Securities between Canada and Other Countries, 1957 and 1958 28
13A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1957 and 1958 30
14. Transactions in Foreign Securities between Canada and Other Countries, 1957 and 1958 31
15. Composition of "Other Capital Movements", 1950-1958 32
16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1958 34
17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-1958 34
18. Value of United States Investments in Canada, Selected Year Ends, 1926-1958 34
19. Non-Resident Equity and Control of Canadian Direct Investments Abroad, End of 1954 and 1957 35

Page

20. Foreign Financing of all Canadian Investment, 1946-1958 40
21. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1957 41
22. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, End of 1958 41
23. Changes in Ownership of Canadian Long-Term Funded Debt, 1955-1958 42
24. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, Classification by Currency of Payment, End of 1954 and 1957 43
25. Detail of Foreign Investment in "Miscellaneous Investments" Category, End of 1952-1957 44

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1957 and 1958 45
II. Annual Statements of the Canadian Balance of International Payments, 1946-1958 46
III. Current Account Between Canada and All Countries, 1926-1958 49
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1956-1958 50
V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1958 54
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-1958 54
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-1957 55
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1957, by Type of Security and Nature of National Ownership 56
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1957, by Type of Investment 58
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-1957, by Type of Business 59
XI. Number of Canadian Concerns Controlled Abroad, End of 1957, by Country of Ownership and Type of Business 60
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1956 60
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-1958 61
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-1956 61
XV. Ownership and Control of Selected Canadian Industries, 1954-1956 62
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1956 64

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1958

Summary

Canada retained an unusually large current account deficit in 1958, even though there was a sharp contraction in the size of the import balance on merchandise account. Net payments for all goods and service transactions with other countries amounted to $1,085 million for 1958 compared with a peak imbalance of $1,424 million in 1957. The current deficit remained large as there were net payments of $915 million for non-merchandise transactions, a rise of $70 million over 1957 along with the reduced import balance on merchandise account of $170 million which compares with $579 million in 1957 and $728 million in 1956.

The large excess of current expenditures abroad over receipts in 1958 was again financed by heavy inflows of capital for long-term investment. Although less than in the previous year these continued high in comparison with private international capital flows in other parts of the world. More of the inflows of capital were into bonds issued by public bodies than formerly and somewhat less into direct investment in foreign-controlled subsidiaries and other equity forms, although the latter types of business financing were again large and made up over one-half of the rise in the value of non-resident investment in the year when earnings retained in Canada are included.

Total investment in Canada was again in 1958 at a very high level, although less in total than in the previous year. The amount in business forms including industrial equipment was down significantly, but investment was higher in construction for housing and other forms of social capital. Large amounts of Canadian savings continued to be absorbed in housing and investment in bonds while large parts of corporate savings in Canada, of course, accrue to non-residents. Over-all non-resident capital supplemented Canadian savings in financing both business and social capital in the generally high ratios characteristic of the past few years, although these were slightly less than in 1957.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1953 - 1958

Account	1953	1954	1955	1956	1957	1958	Change in 1958
	millions of dollars						
Merchandise exports (adjusted)	4,152	3,929	4,332	4,837	4,909	4,890	– 19
Merchandise imports (adjusted)	4,210	3,916	4,543	5,565	5,488	5,060	–428
Balance on merchandise trade	– 58	+ 13	– 211	– 728	– 579	– 170	+409
Other current receipts	1,339	1,307	1,518	1,784	1,621	1,533	– 88
Other current payments	1,724	1,752	2,005	2,422	2,466	2,448	– 18
Balance on non-merchandise transactions	– 385	– 445	– 487	– 638	– 845	– 915	– 70
Current account balance	**– 443**	**– 432**	**– 698**	**–1,366**	**–1,424**	**–1,085**	**+339**
Direct investment in Canada	+ 426	+ 392	+ 417	+ 583	+ 514	+ 450	– 64
Net new issues of Canadian securities	+ 189	+ 128	– 18	+ 526	+ 665	+ 539	–126
Net trade in outstanding Canadian securities	– 31	+ 63	– 27	+ 199	+ 92	+ 84	– 8
All other capital movements	– 141	– 151	+ 326	+ 58	+ 153	+ 12	–141
Net capital movement	**+ 443**	**+ 432**	**+ 698**	**+1,366**	**+1,424**	**+1,085**	**–339**

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

One effect of the large excess of Canadian current expenditures over receipts abroad and the accompanying financing of this current imbalance by using non-resident sources of capital on a large scale, was the growth in Canada's international indebtedness. This was to raise sharply the total of non-resident long-term investments in Canada to $19.1 billion from $17.5 billion in 1957, and the balance of indebtedness from $11.9 billion to $13.5 billion. The latter figure, the amount by which Canada's external liabilities exceed foreign assets, is now greater than Canada's gross liabilities as recently as 1953.

Statistics of foreign investments in Canada and Canada's debtor position in this report reveal a very rapid rise in these measures of indebtedness in recent years. In relation to earlier periods of corresponding growth in the Canadian economy the inflows of capital and increases in indebtedness have been very great. But, on the other hand, Canada's production has also risen even more and Canada has been relatively less dependent upon foreign resources than in other periods of expansion in earlier decades. But the consequences of the changes for the balance of payments are relatively pronounced. Even though Canadian production has risen greatly during the past decade there remains an import balance on commodity account. Meanwhile the existence of such a large balance of indebtedness and the high levels of prosperity have given rise to a large current deficit from payments for interest and dividends and services. It would take an export balance on merchandise account of unprecedented peace time size to offset this deficit on non-merchandise account, in contrast to the import balances characteristic of the last few years.

Canada's contribution to Mutual Aid to NATO countries amounted to $142 million in 1958. These contributions include shipments of equipment and supplies and the provision of training for European air crews, and being unilateral, do not affect the net current account balance. Credit entries representing the provision of goods and services are offset by corresponding payment entries representing the contributions.

Continued High Level of Current Deficits

The great expansion which has occurred in the Canadian economy in the past decade has, of course, inevitably had many effects upon the Canadian balance of payments. Some of these have been clearly showing themselves over an extended period of years, while other effects have become prominent only more recently. There are other effects which may be eventually important which are not yet fully discernible. Some effects have been from the changing pressures of demand associated with different stages in expansion while other effects have been more permanent with changing consequences for the structure of the economy and the balance of payments. The former are among the shorter-term effects which have been responsible for wide shifts from year to year, particularly in merchandise trade with resulting fluctuations in the merchandise balance.

The substantial changes in Canadian imports in recent years have been the biggest influence on the changing merchandise balance and have reflected changing pressures of demand. During the period of maximum expansion imports of commodities were subject to unusually strong pressures of demand. These were greatest in the case of materials and machinery and equipment directly required in Canadian investment projects, particularly in investment by business firms. The pressures were at a peak in parts of the years 1956 and 1957 and were followed by the substantial decline in imports and import balance which occurred in 1958 when pressures related to business investment receded.

At the same time Canadian capacity to produce many imported commodities has been built up during the years of expansion as well as the capacity of export industries. The extent to which new productive capacity has displaced imports is, however, difficult to measure in periods of rapidly changing demands. But the fact that imports remained as high as they did in 1958 suggests an underlying growth in them less subject to short-term fluctuations.

The growing diversification of Canadian commodity exports has been one of the earlier long-run effects to be revealed. Many new products have entered into Canadian exports while the volume of other export staples has been greatly augmented by rising capacity. The entire capacity, however, has not yet been fully employed because of the reduced demands for some exports in 1957-58. Exports, too, normally show short-run fluctuations but offsetting changes in different directions, described in the notes on merchandise trade, have tended to moderate fluctuations in exports in recent years.

Among the effects of Canadian expansion which have more recently been showing themselves is the rise in the amount of income on foreign investments in Canada remitted to other countries. Some parts of these payments are, of course, more variable than others and year to year changes have not all been in an upward direction. There has, however, been a general growth in payments to non-residents of both interest and dividends. The recent growth in interest payments directly reflects on a deferred basis the heavy Canadian borrowing abroad through sales of new issues of bonds, and much of the general growth over the years in dividends paid to non-residents also can be attributed to new investments by non-residents in Canadian stocks and in direct investments in subsidiaries. But many of the new investments of non-resident capital have not yet led to large remittances of earnings from Canada.

Another reflection of the large volume of new investment in Canadian industry, particularly in the form of direct non-resident investment, have been the enlarged payments to non-residents for some kinds of business services. Among these which have grown rapidly have been payments to head offices and affiliated companies. Some of such payments arise out of the services required in connection with new investments whereas others result from the payments to parent companies connected with the operations of new direct investments.

Other effects of the balance of payments arise from the substantial rises in population and personal incomes which have come about. These played their part in maintaining Canadian expenditures abroad on many goods and services related to consumption even during the recent recession. The decline in many categories of imports in 1958 was moderate and in the case of some there continued to be rises, although at a reduced rate, as for example occurred in Canadian travel expenditures abroad.

Effects of Growth on Deficit from Non-Merchandise Transactions

A highly important result of recent changes in the Canadian balance of payments has been the continued growth in the large current deficit from non-merchandise transactions between Canada and other countries. In 1958 payments for these transactions exceeded receipts from the same group by $915 million, a growth of $70 million over 1957 and $277 million greater than in 1956. This deficit has risen each year without interruption since 1952 following a less regular rise before then. In 1949 the deficit from the same group of transactions was $116 million. An analysis of this eight-fold increase in the deficit is presented in statement 7A showing the changing sources of the deficit.

The wide distribution of the origins of the increased deficit is clearly shown both as regards the nature of the transactions and their geographic distribution. Contributing to the larger deficit were six of the seven separate groups of transactions shown. These were travel expenditures, transfers of interest and dividends, freight and shipping, inheritances and migrants' funds, official contributions, and other current transactions including individual components of the latter, and in most cases the growth in deficit has been substantial. Only in one case was the change in the opposite direction; namely, gold production available for export, and this change was relatively small.

A little more than one-half of the deficit originated in transactions with overseas countries which had showed a change from a surplus of $107 million in 1949 to a deficit of $309 million in 1958, a net rise of $416 million. With the United States there was a rise in deficit from $223 million to $606 million, or an increase of $383 million. In the accounts, both with the United States and with overseas countries an enlargement in the deficit shows up consistently with the single exception of gold production already noted. The same is generally true with the countries or groups of countries making up the overseas countries total. With the United Kingdom there was a change of a current surplus of $45 million to a deficit of $122 million with each account moving in this direction with the exception of interest and dividends which in 1958 included interest received from the United Kingdom on the post-war loan. With the Rest of the Sterling Area the change was from a surplus of $22 million in 1949 to a deficit of $22 million when official contributions to the Colombo Plan countries are included in 1958. With the other OEEC countries the change has been even greater, a surplus of $18 million in 1949 changing to a deficit of $175 million in 1958. In this case every account contributed significantly to the change, although almost one-third of the change arose from Canadian military expenditures in the NATO countries on the Continent in the recent year. It should be pointed out, however, that this change does not include the substantial amount of Mutual Aid to these countries since 1949 which has mainly taken the form of shipments of equipment. In the case of all other countries a small surplus appears in both years, but this was only $10 million in 1958 compared with $22 million in 1949 and again the changes were distributed among items.

The reasons for such widespread changes in the direction and impact in this group of transactions are no doubt numerous and in many cases unrelated to one another. There does, however, seem to be a common origin of many cases in the rapid growth of Canada in the decade and in the widening commercial, investment and personal relationships which have accompanied this.

The sharp rise in Canadian indebtedness to other countries, of course, is closely related to the rapid growth of Canada, and cannot be entirely disassociated. This sharp rise has, however, directly contributed significant amounts to the rising level of net current payments, particularly in the case of interest and dividends and some business services. And some of the effects of this will likely become more accentuated in the future as earnings on foreign capital invested in Canada rise when new projects mature. The rise in net liabilities to other countries has been from $3.8 million in 1949 to $13.5 million in 1958; whereas net payments of interest and dividends in the same period have risen from $307 million to $420 million.

Rising personal incomes of Canadians have opened up more opportunities for spending on non-resident services, and remittances have risen with a changing population many of whom have family origins outside of Canada. Great changes have occurred also during the decade in the ability of overseas nations to provide services and this applies especially in such fields as travel and transportation. And the commitments for defence which Canada has taken on have also contributed to the growth in expenditures overseas.

The expansion in trade and relations with overseas countries, of course, partly reflects alteration in the economic position in Europe since 1949. As recovery progressed there the ability of that part of the world to provide goods and services improved and in some areas of activity such as shipping increased difficulties for Canadian operators have led to the withdrawal of Canadian services.

The marked tendency for net payments of interest and dividends to lag behind the sharp rise of net Canadian indebtedness to other countries has already been noted. This lag is a feature of the current account with the United States particularly, and helps explain why the net payments of interest and dividends to the United States have not risen more than the sharp rise in indebtedness to that country would suggest.

Various background factors affect the comparison between 1949 and 1958. For instance it should be borne in mind that in 1949 some Canadian restrictions still existed on external expenditures, mainly relating to expenditures involving United States currency. On the other hand expenditures by the United States on defence installations in Canada continued to be of significance in 1958 and were a notable factor in offsetting a part of the larger

deficit from growing Canadian expenditures in the United States on many types of services.

Seasonal Factors in the Current Account

In the current account there are some seasonal factors which work towards influencing the shape of the accounts in the different quarters of the year. These are more discernible in some items than in others with some patterns which usually recur in a few items with some regularity. In contrast other items fluctuate more erratically and changes in them are dominated by special circumstances of a non-recurring character, or by other non-seasonal influences. The quarterly balances on current account consequently usually show the effects of a variety of influences, and seasonal patterns in that series are less clearly outlined than in some individual items.

The broad features of the pattern which have emerged in recent years are for the current deficits from all transactions to be outstandingly large in the first two quarters of the year and smallest in the third quarter with a tendency also for a substantial deficit in each fourth quarter. The relative size of the latter deficit has been much influenced by the strength of underlying pressures in the period as well as seasonal factors and in some years the largest deficit has occurred in the fourth quarter.

A major contributing factor is the seasonal distribution of Canada's merchandise trade. In each of the first two quarters of the year relatively more of the year's imports normally occur than is the case with exports. Consequently in a period such as the past four years when the value of merchandise imports is well in excess of the value of exports, these tendencies have created import balances of considerable size in each of the first two quarters of the year. In contrast in the third and fourth quarters there are tendencies for more concentrations of exports, while imports are more evenly distributed in these quarters. Thus export balances or smaller import balances are more likely to occur in the last half of the year, depending, of course, upon the relative sizes of exports and imports In the case of exports in the third quarter the tendency for a higher level than average is a development of recent years, with the changing composition of export trade. Likewise in recent years the concentration of exports in the final quarter has been less pronounced than was generally the case earlier. Among changes in exports influencing this altering pattern have been the rise of new and growing commodities like uranium which have shown little or no seasonal configuration, and the fluctuations in iron ore which are heavily concentrated between May and November when transportation is most satisfactory. Meanwhile the movement of wheat has been relatively less important, with less tendency to be heaviest in the final quarter.

Along with the above tendencies in merchandise trade there is the pattern of the balance from non-merchandise transactions as a group, apart from a variable item like official contributions. In two of the last three years and in some earlier years as well, the largest deficit from these transactions has occurred in the fourth quarter and throughout the post-war years with a minor exception the smallest deficit has been in the third quarter, with surpluses in this period in the early post-war years. Deficits have also occurred in the first and second quarters throughout the post-war period with only one exception, but the relative size of these has not been consistent. In 1958 the second largest deficit occurred in the second quarter, but in 1956 the second largest was in the first quarter and in 1955 and in 1957 the fourth quarter occupied this position.

The above pattern has been the result of a great variety of circumstances affecting the diversity of transactions covered. But prominent among the reasons for this result are the sharp quarterly variations in the balance from travel expenditures and size of the deficit on income account.

In the case of the travel account there has been a surplus of diminishing size in the third quarter, with actually a small deficit in the September quarter 1958, contrasting with substantial and growing deficits in each other quarter. These trends have been affected particularly by the continual rise in Canadian expenditures abroad. Prior to the removal of restrictions which existed on Canadian travel expenditures in the earlier post-war years, the pattern was, of course, quite different.

On income account the outstanding feature of the balances is the substantial and growing size of the consistent deficits. There is a considerable variation in the deficits from one quarter to another and this often has significant effects upon the current account balances. While there is regularity in many payments such as in the case of bond interest and of dividend payments by public companies, the recurring quarterly patterns of these are usually overshadowed by the irregularity of the large volume of dividend transfers by wholly-owned subsidiaries. As a result there is no well established configuration in the balance of payments on income account that can be isolated as a clear seasonal pattern. Even the occurrence of the largest deficit in the fourth quarter of many years has been affected by some special administrative influences referred to below. It should be noted that the seasonal elements in the more regular groups of payments are obscured by the irregular effects of sharply rising interest payments resulting from the heavy sales of new issues of Canadian bonds abroad in recent years. The growth in non-resident holdings of Canadian stocks has also acted to blur the quarterly pattern of public company dividends.

The most irregular quarterly element in the income account has usually been the wide variations in dividend transfers between related companies. These transfers may be made for a variety of corporate reasons which change from time to time and are as much related to internal decisions as to the level of earnings. Also of major importance in affecting transfers in the earlier post-war years were administrative changes in exchange control policies affecting the remittance of earnings.

Another important administrative influence on receipts and consequently the balance of payments has been the irregularity in payment of interest which Canada receives on some government loans. This contributed substantially to the large deficits in the fourth quarters of 1956 and 1957.

Freight and snipping transactions is an item which shows some distinct seasonal pattern in some of its component items. Many of these transactions are closely related to the seasonal pattern of international commodity movements. But the transportation of some commodities is a more important item than is that of some other commodities affecting the balance of payments. Particularly important is the transport involved in the movement of some bulk commodities in and out of Canada like iron ore, petroleum, coal and grain. On some of these the season of navigation is a determining influence. At the same time there are other freight and shipping items which are not as directly influenced by the seasons like payments for time charters. On balance the freight and shipping item has generally shown a tendency for larger deficits in the second and third quarters but these normally have not been large enough to have dominant effects upon the size or shape of overall current account balances.

Other items in the current account do not show clearly identifiable patterns which can be attributed to the seasons. The item covering inheritances and migrants' funds gives rise to balances of irregular size and direction and the item of gold production available for export has been frequently affected to a major extent by administrative influences. Miscellaneous current transactions as a group have led to deficits each quarter and the trend has been generally upward. The quarterly amounts, however, have not shown any discernible seasonal pattern. One reason is that a few large non-recurring transactions have influenced the quarterly balances from time to time. And the quarterly distribution of some substantial groups of business and personal services is arbitrary when data on these is only available on an annual basis.

Quarterly Developments

The broad trends during the year of uncertain business conditions, however, with evidences of firming tendencies particularly by the last quarter, are reflected in the quarterly statements. The current account deficits, which declined through the second half of 1957 and the first half of 1958, after allowance for seasonal factors, increased in the third and fourth quarters of the year, as a result of larger gains in the imports of goods and services, and particularly in merchandise imports. By the third quarter of 1958 the current deficit was close to the level of the same quarter of the previous year and in the fourth quarter it was considerably higher than in 1957.

This development was associated with the developing strength in domestic demands, related in particular to consumer purchases and to investment in business inventories. The major part of the increase in consumer expenditures took place in the first quarter, and in particular, in the fourth quarter; while a heavy liquidation in business inventories during the first half of 1958 reversed itself to a position of a small net accumulation in the second half. Further, the declines in the outlays for new plant and equipment showed signs of moderation during the last three quarters of 1958, with the expenditure for machinery and equipment rising sharply in the fourth quarter to offset the deepening decline in the outlays for non-residential construction.

The downward trend in merchandise imports during 1957 levelled off during the first three quarters of 1958, and was followed by a sharp gain in the last quarter. Merchandise exports, on the other hand, did not show as clear a trend. On a seasonally adjusted basis, commodity exports were below the annual level during the first and third quarters and higher in the second and fourth quarters. In an analysis of merchandise imports by end-use, consumer goods was the only group which increased in 1958; and within the year, the totals for the third and fourth quarters were larger than those for the first two quarters. The imports of fuels and lubricants, industrial materials and investment goods all recorded fairly sizable losses between 1957 and 1958; but the imports of the second group of commodities rose during the year After being steady for the first three quarters, machinery imports showed a small upturn in the final quarter.

A fairly steady quarter-to-quarter rise in the deficit from all other current transactions during 1956 and 1957 was extended to 1958. But with a slackening in the rate of increase the trend in 1958 was less pronounced. While there was some net increase in each quarter over the same quarter of the preceding year, the greatest change occurred in the third quarter, a period when the deficit from "invisible transactions" is generally moderated by a surplus on travel account. Instead there was a small deficit on travel account in that period of 1958 in addition to larger deficits from several other accounts.

While the deficit from non-merchandise transactions was higher in 1958 than in the preceding year, the rate of increase slackened noticeably. Increases in expenditure on travel and other current payments together with a decline in tourist receipts and a sharper decline in immigrants' than in emigrants' funds and inheritances contributed to increasing the deficit, while a larger amount of gold production available for export, an increased receipt of interest and dividends with the resumption by the United Kingdom of interest payments, and a sharper fall in freight payments, which accompanied a lower level of merchandise imports, worked for a reduction in the deficit.

The tendency to moderation had the effect of obscuring in 1958 the general pattern of quarter-to-quarter increases in the deficit for the invisible account in evidence during 1956 and 1957. After taking seasonal variations into account, freight, inheritances and migrants' funds and the group "all

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1956 - 1958

Country or area	1956				1957				1958			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
United States	-414	-531	-259	-435	-477	-569	-215	-307	-296	-384	-148	-306
United Kingdom	+ 63	+ 34	+ 69	+ 86	+ 23	+ 28	+ 52	+ 35	+ 4	+ 24	+ 16	+ 64
Other sterling area	+ 16	+ 19	+ 2	+ 11	+ 12	- 6	- 12	+ 15	+ 38	+ 10	+ 5	+ 12
Other countries[1]	- 35	+ 42	- 28	- 6	+ 18	+ 1	- 26	+ 4	- 13	+ 27	- 71	- 67
All countries	**-370**	**-436**	**-216**	**-344**	**-424**	**-546**	**-201**	**-253**	**-267**	**-323**	**-198**	**-297**

[1] Includes other OEEC countries.

other current transactions" were characterized by mixed trends in the negative balances during 1958, and only the accounts covering income and travel showed a semblance of a regular rise during the year. Reductions in expenditure by the United States Government on defence installations in Canada and substantial non-recurring payments on government account in the first half of the year contributed to the irregularity in the deficit for "all other current transactions". The individual components, however, combined to form a peak in the deficit from invisible transactions in the third quarter.

Movements into Canada of capital in the long-term forms shown separately in quarterly estimates of the balance of payments were as usual more heavily concentrated in the latter part of the year than the current account deficit. During the first quarter of the year, when 25 per cent of the current deficit was incurred, some 20 per cent of the long-term capital movements identifiable quarterly were received, sufficient to finance 83 per cent of it compared with 73 per cent in the preceding quarter. In the second quarter the current account deficit rose, but capital inflows in long-term forms, particularly sales to non-residents of new issues of Canadian securities, rose even more sharply, and amounted to 105 per cent of the deficit for the quarter. The second quarter saw 31 per cent of the capital movement in long-term forms and 30 per cent of the current account deficit. During the third quarter the current account deficit contracted under seasonal influences, while capital inflows in long-term forms fell less, being equivalent to 118 per cent of the current account deficit; 22 per cent of these inflows during the year were received in the quarter while 18 per cent of the current account deficit was incurred. In the final quarter of 1958, when the current account deficit was again rising, capital inflows in long-term forms also rose although less rapidly; 27 per cent of both the capital movement and the current account deficit for the year occurred. In both the fourth quarter and the year as a whole, the capital movement identifiable quarterly in long-term forms equalled the current account deficit. When account is also taken of the other inflows in long-term forms the total for the year exceeded by 8 per cent the current account deficit.

The exchange value of the Canadian dollar varied over the year reflecting market prices. The price of the United States dollar in Canada fell from 98.41 cents at the end of 1957 to 96.44 cents at the end of 1958. It moved through a high of 99.16 cents in January and a low of 95.75 cents in June, a trading range of 3.41 cents which was narrower than for any year since 1954. In general the United States dollar tended to decline over the first half of the year. The average noon rates from February to July were each lower than for the preceding month. In the third quarter the United States dollar strengthened, but during the final quarter of the year this tendency was reversed, although the noon average for the quarter as a whole was somewhat higher. The noon average of 97.06 cents for the year as a whole compared with 95.88 cents in 1957.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1957 and 1958

Quotations reported on transactions between banks in the exchange market

Source: Bank of Canada

Quarter	1957			1958		
	High	Low	Noon average	High	Low	Noon average
	Canadian cents per unit					
I	96.34	95.50	95.84	99.16	97.44	98.11
II	96.22	95.22	95.62	97.41	95.75	96.64
III	96.56	94.22	95.25	98.28	95.84	96.70
IV	98.62	95.69	96.82	97.59	96.31	96.79
Year	**98.62**	**94.22**	**95.88**	**99.16**	**95.75**	**97.06**

Closing Quotations: 1957, 98.40625: 1958, 96.4375.

Bilateral Changes

The bilateral pattern of the Canadian balance of payments used to have fairly distinct features which remained characteristic over a long period of years. This persistent pattern was one of large current account surpluses with overseas countries from both merchandise and other transactions which were traditionally used to settle current deficits with the United States from merchandise and other transactions. For some years now the current surpluses with overseas have been much less than formerly at a time when the current deficits with the United States have been at unprecedentedly high levels. The current surplus from transactions with overseas countries have been less than formerly due to smaller surpluses on merchandise account and growing deficits from all other current transactions.

This changing pattern continued in 1958 as the current account surplus with overseas countries declined from $144 million in the previous year to $49 million, the lowest level in the post-war period. This was the result of the dual effects of reduced current receipts and increased current payments during the year. The reduced current receipts were in non-merchandise transactions while the gain in payments was both for imports and for non-merchandise transactions.

The groups of countries affected in these changes in transactions with Canada have been numerous. In comparison with 1949, Canada's current credit balances in 1958 were substantially lower individually with the United Kingdom and the Rest of the Sterling Area and OEEC countries, and with all other countries there was a substantial deficit from all current transactions compared with a small surplus in 1949.

Merchandise exports to overseas countries have been unusually stable during the three years 1956 to 1958, and in ten years since 1949 have grown less than merchandise exports to the United States. Imports from overseas rose slightly in 1958 and have doubled in ten years, a somewhat greater proportionate rise than has occurred in imports from the United States in the same decade.

While receipts from non-merchandise transactions with overseas countries fell in 1958 there has been a comparatively moderate rise in the decade. But payments for this group of items with overseas have been rising consistently each year, and in 1958 were three times the level for 1949, a much faster rate of increase than with the United States.

In this period the balance on non-merchandise transactions with overseas countries shifted from a surplus to a deficit, or a net change of over $400 million in increased net payments — a little more in absolute size that the rise in the deficit with the United States from the same group of transactions. Contributing to the rising deficit with overseas countries have been higher payments on most accounts including travel, transportation, interest and dividends, military expenditures, personal remittances, official contributions, and business services. Growing contacts between Canada and the United Kingdom and Western Europe, particularly in the spheres of personal and business relationships and defence, have all contributed to this rising level of Canadian payments. It should be noted that the above analysis and the statistics in statements 4A and 7A do not include Canadian Mutual Aid to NATO countries in the form of military equipment and supplies shipped to these countries or the provision of air training. This aid not included above has fluctuated from a peak of $284 million in 1954 to $142 million in 1958.

The emergence of such a large deficit from non-merchandise transactions with overseas meant that in 1958 this offset most of the credit balance which Canada had from export trade with the overseas world. Consequently, the large current deficit with the United States had to be almost entirely financed by inflows of capital.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1948 - 1958

Country or area	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	Change in 1958
	millions of dollars											
United States	−393	−601	−400	−951	−849	−904	−807	−1,035	−1,639	−1,568	−1,134	+434
United Kingdom	+486	+446	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 138	+ 108	− 30
Other sterling area	+129	+135	− 23	− 24	+114	+ 83	+ 44	+ 60	+ 48	+ 9	+ 65	+ 56
Other OEEC countries	+226	+185	+108	+223	+332	+173	+ 93	+ 24	+ 17	+ 58	+ 46	− 12
Overseas territories[1]										− 37	− 33	+ 4
Other countries	+ 3	+ 12	− 43	+ 12	+179	+ 72	+ 9	− 77	− 44	− 24	− 137	−113
All countries	**+451**	**+177**	**−334**	**−517**	**+164**	**−443**	**−432**	**− 698**	**−1,366**	**−1,424**	**−1,085**	**+339**

[1] Overseas territories of other OEEC countries.

The current deficit with the United States at $1,134 million remained exceptionally high being only exceeded by the peaks of $1,568 million in 1957 and $1,639 million in 1956. The change in 1958 from the previous year was almost entirely in the merchandise balance which fell from $947 million to $528 million. This was mainly the result of the sharp contraction in imports of merchandise as exports to the United States were only slightly less. The chief impact on imports of the reduced Canadian demands in 1958 was in commodities for which the United States is a leading source of supply like steel, pipe, and machinery. In the case of exports the total was generally maintained by a variety of offsetting changes in commodities sold to the United States. New commodities like uranium and gas, and others like cattle and farm implements, for which demands were unusually strong, mainly offset numerous declines in important minerals and forest products of which examples are provided by petroleum, iron ore, nickel and newsprint. On non-merchandise account with the United States there was a somewhat larger reduction in payments than in receipts. The deficit from these transactions remained much larger than in any year before 1957.

In the case of Canada's account with the United Kingdom the current surplus was reduced from $138 million in 1957 to $108 million in 1958. This was due to an increase in net payments for non-merchandise transactions from $91 million to $122 million as the export balance on commodity account was virtually unchanged at $230 million when adjusted for balance of payments purposes, with both exports and imports at a higher level. One of the main sources of this change was a sharp contraction in transfers of immigrants' funds to Canada and larger payments for travel and some non-recurring government payments. But in the opposite direction were receipts of interest from the United Kingdom on the post-war loan of $23 million. (Some comments on changes in merchandise trade with the United Kingdom and other overseas countries appear in the notes on merchandise trade).

With the Rest of the Sterling Area the current surplus went up from $9 million to $65 million as government financed exports of wheat to India expanded shipments while imports from the area were lower. Non-merchandise transactions led to a deficit as larger official contributions under the Colombo Plan offset smaller net receipts from other transactions.

The current surplus with OEEC countries was reduced from $21 million to $13 million in 1958. A larger export balance of $188 million was mainly offset by expanded net payments of $175 million for non-merchandise transactions.

With all other countries the most outstanding change in 1958 was a sharp expansion in the import balance on merchandise account as exports fell and imports rose.

The net inflow of capital in all forms from the United States in 1958 is estimated at $874 million, compared with $1,037 million in 1957. In the most recent year it served to finance 77 per cent of the current deficit with the United States and 81 per cent of the smaller net deficit with all countries. These proportions were larger than in 1957 when 66 per cent of the deficit with the United States and 73 per cent of the deficit with all countries were covered by net capital movements from the United States. The proportion of the deficit with the United States so covered has risen year by year since 1953 when it was only 27 per cent. The portion of the current account deficit with the United States not covered by net capital movements from that country fell from $531 million in 1957 to $260 million in 1958. In the post-war years it has ranged between $133 million in 1950 and $1,007 million in 1952.

For the first time in the post-war period overseas non-sterling area countries taken as a group were not a source for the financing of the net deficiency in Canada's accounts with the United States. The current account deficit with these countries rose sharply from $3 million in 1957 to $124 million in 1958, and there was at the same time a contraction in the net capital import from these countries from $159 million to $44 million. Thus, whereas transactions with these countries in 1957 made available $156 million, in 1958 there remained a deficiency of $80 million. The figure for 1958 is in startling contrast with 1952 when transactions with these countries provided $521 million to Canada.

On the other hand transactions with the United Kingdom and other sterling area countries made available, as they have for many years, a substantial amount for settlement of the balances of accounts with other areas. The current account surplus with the sterling area in 1958 was $173 million, and to this must be added the net capital transfers to Canada of $167 million. This total of $340 million was used in the settlement of the balance of Canada's transactions with other countries. Multilateral settlements from the sterling area in the post-war years have ranged between $622 million in 1948 and $14 million in 1950. (It should be pointed out that to some extent the net capital movement with the United States is an effect of the multilateral settlements with other countries, because of the Canadian practice, both official and private, of holding available reserves of exchange in United States funds.)

STATEMENT 4A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949 - 1958

Year	Merchandise exports[1]		Other current receipts[1]		Total current receipts[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,521	1,468	748	352	2,269	1,820	4,089
1950	2,046	1,093	831	270	2,877	1,363	4,240
1951	2,326	1,624	852	364	3,178	1,988	5,166
1952	2,346	1,993	928	391	3,274	2,384	5,658
1953	2,458	1,694	985	354	3,443	2,048	5,491
1954	2,355	1,574	951	356	3,306	1,930	5,236
1955	2,598	1,734	1,102	416	3,700	2,150	5,850
1956	2,854	1,983	1,161	466	4,015	2,449	6,464
1957	2,931	1,978	1,135	486	4,066	2,464	6,530
1958	2,909	1,981	1,096	437	4,005	2,418	6,423
	Merchandise imports		Other current payments[1]		Total current payments[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,899	797	971	245	2,870	1,042	3,912
1950	2,093	1,036	1,184	261	3,277	1,297	4,574
1951	2,842	1,255	1,287	299	4,129	1,554	5,683
1952	2,817	1,033	1,306	338	4,123	1,371	5,494
1953	3,046	1,164	1,301	423	4,347	1,587	5,934
1954	2,800	1,116	1,313	439	4,113	1,555	5,668
1955	3,283	1,260	1,452	553	4,735	1,813	6,548
1956	4,021	1,544	1,633	632	5,654	2,176	7,830
1957	3,878	1,610	1,756	710	5,634	2,320	7,954
1958	3,437	1,623	1,702	746	5,139	2,369	7,508
	Net balance merchandise trade		Net balance — all other current transactions		Net balance — current account		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	- 378	+671	-223	+107	- 601	+ 778	+ 177
1950	- 47	+ 57	-353	+ 9	- 400	+ 66	- 334
1951	- 516	+369	-435	+ 65	- 951	+ 434	- 517
1952	- 471	+960	-378	+ 53	- 849	+1,013	+ 164
1953	- 588	+530	-316	- 69	- 904	+ 461	- 443
1954	- 445	+458	-362	- 83	- 807	+ 375	- 432
1955	- 685	+474	-350	-137	-1,035	+ 337	- 698
1956	-1,167	+439	-472	-166	-1,639	+ 273	-1,366
1957	- 947	+368	-621	-224	-1,568	+ 144	-1,424
1958	- 528	+358	-606	-309	-1,134	+ 49	-1,085

[1] Excludes Mutual Aid.

Major Components of the Current Account

Merchandise Trade

The imbalance of merchandise trade has been a major variable in Canada's current deficit in recent years fluctuating from peaks of $728 million and $579 million in 1956 and 1957 respectively to $170 million in 1958. A greater flexibility in imports than in exports evident in these three years has been the main contributor to such wide shifts in balance. Exports have tended to fluctuate irregularly around a total level with, however, some wide swings in the movements of individual commodities.

Imports had risen to a peak in 1956 and early 1957 to be followed by a sharp contraction in the second half of 1957. This declining trend continued in 1958 but by the final quarter the trend was again strongly upward. Changes in annual totals of imports were increases of 16 per cent and 22 per cent in 1955 and 1956 respectively followed by declines of 1 per cent and 8 per cent in 1957 and 1958. Changes in Canadian demands as usual were the primary factor influencing the level of Canadian imports. Declines in imports in 1958 were sharper than in Canadian production as was the case with increases in earlier years.

Only 16 per cent of the current deficit was made up by the merchandise import balance compared with 53 per cent and 41 per cent respectively in 1956 and 1957.

As all merchandise figures used in the balance of payments statements have been adjusted for that purpose they differ from regularly published trade statistics which include some movements of goods which are not relevant for balance of payments purposes and exclude some other transactions belonging to these statements, as described at the end of the notes on this item.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950 - 1958

(1948 = 100)

Year and quarter	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.3	160.3
1956	121.4	113.0	107.4	128.3	190.0
1957	121.3	116.4	104.2	129.8	182.5
1958	120.6	116.5	103.5	130.3	168.3
1957 I	122.2	116.0	105.3	116.8	177.2
II	122.1	116.7	104.6	126.8	200.3
III	121.2	115.7	104.8	137.6	181.8
IV	120.5	117.2	102.8	137.0	170.6
1958 I	121.2	119.0	101.8	114.9	150.9
II	121.0	116.5	103.9	136.2	179.4
III	120.2	115.4	104.2	130.8	162.7
IV	120.9	115.5	104.7	138.0	180.0

Note: Indexes indicate movements in unadjusted trade data.

Imports

While imports in 1958 were lower than the levels during the peak part of the period of maximum business expansion in Canada, they nevertheless remained in exceptionally large volume in comparison with years before 1956. The volume and value in 1958 exceeded figures for 1955 which were the largest reached up to that time.

With many commodities the totals imported in 1958 were not significantly less than in 1957. In a few cases there were increases which were most notable for some types of consumer goods including such diverse items as fruits and passenger cars. Instances of the sharpest declines were chiefly in the groups of commodities which had grown most in the period of greatest business expansion. The best examples of the most flexible items lie in groups containing machinery and equipment and industrial materials used by industry for investment in the establishment and expansion of productive facilities Among these commodities are industrial machinery, rolling mill products, and pipes and tubes. But while imports of each of these groups were significantly lower in 1958 than during peak periods in 1956 and 1957, the levels were still well above 1955 levels. Imports of coal and petroleum products were also lower in 1958 from the values in 1957 with lower prices accounting for appreciable parts of the decline in petroleum.

The most significant change in sources of imports in 1958 was in the total from the United States which accounted for the reduced total from all countries. Declines in imports of investment goods noted above were concentrated in commodities mainly procured in the United States and were the principal reason for the drop in total goods imported from that country. There was also some drop in fuels and industrial materials from the United States, while imports of goods for consumers were better maintained.

In contrast total imports from the United Kingdom and European countries were increased slightly with significant rises in some consumer goods. Among the most notable rises were automobiles from the United Kingdom and Germany and aircraft from the United Kingdom. Imports of many types of machinery from both sources were maintained or increased.

Imports from Japan were also higher and imports of petroleum from the Middle East rose with a switch in purchases from Venezuela and the United States. Imports from the rest of the Commonwealth were less with reduced purchases of some commodities like sugar and rubber.

Declines in imports which became particularly pronounced in the latter part of 1957 continued into 1958 and the lowest point was reached in the summer. But in the latter part of the year a considerable rise occurred and by the end of 1958 imports had regained a good deal of the decline and averaged some 10 per cent below the highest points reached in 1956 and 1957.

STATEMENT 6. Adjustments to Merchandise Trade, 1957 and 1958

Exports	1957	1958	Imports	1957	1958
	millions of dollars			millions of dollars	
Domestic exports in trade returns	4,839.1	4,826.5	Imports in trade returns	5,623.4	5,192.3
Exports of foreign produce	95.3	102.0			
Total exports	**4,934.4**	**4,928.5**			
Adjustments:			Adjustments:		
Tourist exports	− 2.3	− 2.2	Tourist imports	− 77.4	− 78.9
Settlers' effects	− 33.7	− 29.6	Settlers' effects	− 41.8	− 33.1
Private donations	− 1.7	− 2.3	Advertising	− 8.2	− 8.7
Warehousing	+ 5.4	+ 4.4	Warehousing	+ 14.9	+ 9.5
All other adjustments	+ 7.2	− 9.2	All other adjustments	− 22.8	− 20.8
Total adjustments	**− 25.1**	**− 38.9**	**Total adjustments**	**− 135.3**	**− 132.0**
Merchandise exports (adjusted) (Table 1, item A1)	4,909.3	4,889.6	Merchandise imports (adjusted) (Table 1, item B1)	5,488.1	5,060.3

Exports

The increasing diversity of Canadian exports was an important factor acting to maintain the total in 1958 in the face of declining demands abroad and changing competition. The total was generally maintained by strong rises in a few specially situated commodities which were sufficient to offset more general declines in many other commodities. As a result there was only a slightly smaller total of exports in 1958 than in 1957 even though sales abroad in many basic industries were less. The commodities which showed greatest increases included uranium, aircraft, cattle and meat, wheat, natural gas and farm machinery. Among special factors playing a part in some of these situations were new production covered by contracts in the case of uranium and natural gas, credit financing wheat sales to Asia, and contracts for military aircraft exported to Belgium and Germany.

In contrast to these trends there were declines in exports of many major export industries including pulp and paper and most metals and minerals. While new productive capacity has been developed in most of these industries in recent years, this capacity

was not fully employed in 1958. At the same time these exports remained substantial in comparison with levels of some years ago. For example, total exports of forest products exceeded values before 1955 and some of the metals and minerals which had been exported over longer periods also exceeded those earlier levels. And in the case of relatively new commodities in Canada's exports like iron ore and petroleum, the values in 1958, although much less than in 1957, still exceeded those in any year before 1956.

Only relatively small changes occurred in the direction of Canadian exports. Total exports to each of the United Kingdom, Europe, and the Rest of the Sterling Area were higher. The total to the United States was slightly less, while relatively larger drops occurred in exports to Latin America and Japan.

With the United Kingdom there were larger sales of some major commodities which included wheat, barley, canned salmon, and for the first time substantial shipments of uranium. But in the opposite direction there were notable reductions in exports of lumber, iron ore, aluminum, copper and zinc, and oilseed cake and meal.

While some 59 per cent of Canadian exports continued to be shipped to the United States, the total value to that country was slightly less. Very substantial declines occurred in a few commodities of which the best examples are iron ore, nickel, and petroleum. In addition more moderate declines occurred in such major exports as newsprint, asbestos, aluminum, and some other non-ferrous metals. In contrast substantial increases occurred in cattle and meat and farm machinery exported, and in contractual sales of uranium and natural gas. Lumber sales also recovered from the low level of the previous year.

The total exported to OEEC countries was higher because of large shipments of military aircraft to Belgium and Germany which, along with larger movements to the area of non-ferrous metals, offset declines in various other primary commodities. Exports of primary commodities to France and Italy were also down, but larger shipments occurred to the Netherlands, Norway, and Switzerland.

Specially financed shipments of wheat to India and Pakistan played a major part in the rise in exports to the Rest of the Sterling Area. Exports to Commonwealth countries in the West Indies and to New Zealand were less, while there was some increase to Australia and to the Union of South Africa.

In the case of other countries the largest relative drops occurred in exports to Latin America and Japan. With Latin America there had been large non-recurring sales of used ships to Panamanian addresses and shipments of steel products to Mexico in the previous year which reduced totals substantially, although exports of some primary products were higher. A substantial decline also occurred in shipments to Japan. While wheat sales to that country were higher, there were reduced exports of some other primary products and industrial materials.

During 1958 the direction of changes in total exports were mixed. No clear trend was evident as monthly totals fluctuated widely with the diversity of movements in commodities already noted.

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1951-1958

Account	1951	1952	1953	1954	1955	1956	1957	1958	Change in 1958
	millions of dollars								
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,837	4,909	4,890	- 19
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,060	-428
Balance on merchandise trade	**- 147**	**+ 489**	**- 58**	**+ 13**	**- 211**	**- 728**	**- 579**	**- 170**	**+409**
Gold production available for export	+ 150	+ 150	+ 144	+ 155	+ 155	+ 150	+ 147	+ 160	+ 13
Travel expenditures	- 6	- 66	- 63	- 84	- 121	- 161	- 162	- 193	- 31
Interest and dividends	- 335	- 268	- 239	- 276	- 323	- 381	- 433	- 420	+ 13
Freight and shipping	- 3	+ 8	- 56	- 43	- 17	- 45	- 70	- 59	+ 11
Inheritances and migrants' funds	+ 7	- 9	—	- 5	- 19	- 16	- 33	- 54	- 21
All other current transactions	- 183	- 140	- 171	- 192	- 162	- 185	- 294	- 349	- 55
Balance on non-merchandise transactions	**- 370**	**- 325**	**- 385**	**- 445**	**- 487**	**- 638**	**- 845**	**- 915**	**- 70**
Current account balance	- 517	+ 164	- 443	- 432	- 698	-1,366	-1,424	-1,085	+339

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

The terms of trade became a little less favourable during 1958, as a result of a decline of about ½ of 1 per cent in the export prices, together with a fractional rise in the average of import prices. The deterioration in the terms of trade of less than 1 per cent in 1958 compared with that of 3 per cent in the preceding year.

The weakening in the domestic export prices was spread over the year, with the low level falling in the third quarter. Reductions in the prices of wood products and paper, non-ferrous metals and products were partially offset by advances in the prices of agricultural and animal products, iron and steel products, non-metallic minerals and products and chemicals and fertilizer. Within the year the changes in the export prices were uneven for most groups of commodities, with a rising tendency indicated only in the cases of chemicals and fertilizer and wood products and paper.

A high first quarter level in the average of the import prices accounted for the small rise for 1958. A similar pattern of quarterly price changes was indicated for rolling mill products, machinery and non-metallic minerals and products. In the cases of agricultural and animal products and fibres and textiles, the import prices declined throughout the year. Price increases took place between 1957 and 1958 in wood products and paper, iron and steel and products, non-ferrous metals and products and chemicals and fertilizer; and prices declined for agricultural and animal products, fibres and textiles, and non-metallic minerals and products.

As statistics of merchandise trade generally cover movements of goods through customs channels there are included some transactions which are either not relevant for balance of payments purposes such as settlers' effects or which are covered in other items in statements of the balance of payments

STATEMENT 7A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1958

	Receipts		Payments		Net transactions		Net change
	1949	1958	1949	1958	1949	1958	1949-1958
	millions of dollars						
A. Non-merchandise current transactions with the United States:							
Gold production available for export	139	160	—	—	+139	+160	+ 21
Travel expenditures	267	309	165	413	+102	−104	−206
Interest and dividends	40	98	325	479	−285	−381	− 96
Freight and shipping	126	206	193	294	− 67	− 88	− 21
Inheritances and migrants' funds	18	48	44	104	− 26	− 56	− 30
All other current transactions	158	275	244	412	− 86	−137	− 51
Total and balance on non-merchandise transactions	748	1,096	971	1,702	−223	−606	−383
B. Non-merchandise current transactions with all overseas countries:							
Travel expenditures	18	40	28	129	− 10	− 89	− 79
Interest and dividends	43	68	65	107	− 22	− 39	− 17
Freight and shipping	177	195	60	166	+117	+ 29	− 88
Inheritances and migrants' funds	50	43	15	41	+ 35	+ 2	− 33
Official contributions	—	—	6	50	− 6	− 50	− 44
All other current transactions	64	91	71	253	− 7	−162	−155
Total and balance on non-merchandise transactions	352	437	245	746	+107	−309	−416
C. Non-merchandise current transactions with all countries:							
Gold production available for export	139	160	—	—	+139	+160	+ 21
Travel expenditures	285	349	193	542	+ 92	−193	−285
Interest and dividends	83	166	390	586	−307	−420	−113
Freight and shipping	303	401	253	460	+ 50	− 59	−109
Inheritances and migrants' funds	68	91	59	145	+ 9	− 54	− 63
Official contributions	—	—	6	50	− 6	− 50	− 44
All other current transactions	222	366	315	665	− 93	−299	−206
Total and balance on non-merchandise transactions	1,100	1,533	1,216	2,448	−116	−915	−799

such as tourist imports. When used in the latter statements it is therefore necessary to adjust the regularly published statistics of the Trade of Canada for this special purpose. The extent of these adjustments is shown in statement 6. In both 1957 and 1958 the net deductions from the trade statistics did not vary greatly but the effect of the adjustments was to reduce significantly the deficit on merchandise account by $110 million and $93 million respectively from that shown in statements of the Trade of Canada. The nature of some of the adjustments is indicated by the headings of items shown in statement 6. In addition, there were significantly variable adjustments included in arriving at the item "all other adjustments" covering transactions on defence account and purchases of ships and aircraft.

Gold

At $160 million in 1958 the item "gold production available for export" was the highest of any post-war year except 1950, comparing with $147 million in 1957. Mine production was higher than in the previous year but did not rise as much as this series. This series does not exactly coincide with the latter measurement of production as it is computed at a later stage. Excluded are changes in stocks such as those held in safe-keeping at the Mint for the account of mines and other stocks of producers. The item since November 1, 1951 has reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April 1956 have been relatively small sales, by mines not receiving financial assistance from the government, to non-residents or residents either for export or safe-keeping in Canada. The latter change followed removal of the remaining restrictions on the sale of gold in Canada or elsewhere announced by the Minister of Finance in March 1956.

Travel Expenditures

Canadian expenditures on travel outside of Canada rose in 1958 while receipts from non-resident travellers in Canada fell. This led to net payments of $193 million on travel account in 1958 compared with $162 million in 1957. This deficit from this group of transactions has risen in most years since 1951 when it first appeared. In 1950 and earlier there were net receipts on international travel account.

The increase in Canadian expenditures abroad in 1958 was from $525 million in the previous year to $542 million. This expansion in expenditures abroad in 1958 is a reflection of the high level of personal consumption expenditures by Canadians which continued to rise in 1958. Broadly based increases in incomes in Canada and the provision of vacations with pay to more workers have made it possible for many more Canadians to travel. The growth in income has been going on over an extended period. The total of expenditures by Canadians on travel abroad for 1958 is more than twice as high as in 1950. It is interesting in this connection to note that personal expenditures by Canadians on all types of services during this same period of eight years have also almost doubled and personal automobile operating expenditures have risen proportionately even more.

In addition to the growth in personal incomes which have made more travel possible there have been special factors at work in stimulating travel outside of Canada. A growing proportion of the population has migrated to Canada in the post-war period from the United Kingdom and Europe and still has personal ties encouraging visits overseas. Increased transportation links with overseas and other travel facilities have made for widened inducements to travel abroad. Much wider ownership of private

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948 - 1958

Year	Account with United States			Account with overseas countries			Account with all countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
	millions of dollars								
1948	267	113	+154	12	21	- 9	279	134	+145
1949	267	165	+102	18	28	-10	285	193	+ 92
1950	260	193	+ 67	15	33	-18	275	226	+ 49
1951	258	246	+ 12	16	34	-18	274	280	- 6
1952	257	294	- 37	18	47	-29	275	341	- 66
1953	282	307	- 25	20	58	-38	302	365	- 63
1954	283	320	- 37	22	69	-47	305	389	- 84
1955	303	363	- 60	25	86	-61	328	449	-121
1956	309	391	- 82	28	107	-79	337	498	-161
1957	325	403	- 78	38	122	-84	363	525	-162
1958	309	413	-104	40	129	-89	349	542	-193

automobiles by Canadians has increased the mobility of the population and automobile visits to the United States have risen accordingly. And the opportunity for shopping is an aspect of travel believed to be an important attraction for many travellers to that country.

The rise in expenditures abroad was distributed between United States and overseas countries. The latter increase from $122 million to $129 million was more moderate than has been characteristic of recent years. Expenditures in the United States at $413 million were also higher than ever before.

While overseas travel expenditures in Canada rose from $38 million to $40 million there was a decline in receipts from United States travellers from $325 million to $309 million. Declines occurred in expenditures of visitors by all types of transportation except plane. There was again a discount on United States dollars, although this was less in the summer months than in the previous year. Although less than in 1957 United States expenditures on travel in Canada were as high as in 1956, the peak year up to then. While decline in expenditures in Canada coincided with some recession in United States economic activity, it is noteworthy that personal incomes in the United States at large were relatively maintained and that United States expenditures on travel in overseas countries rose appreciably in 1958. In the case of United States travel to Europe the rate of increase in expenditures was 16%, although expenditures elsewhere overseas rose only moderately. The number of United States travellers to overseas countries in 1958 numbered almost 1.4 million persons which is less than one-third of the number visiting Canada for visits of over 2 days. A large proportion of the visitors to Canada reside in industrial States close to the border.

Income Account

For decades net payments of interest and dividends have been the leading group of net current payments with the exception of a few years recently when net imports of merchandise were greater. The deficit of $420 million on income account in 1958 constituted almost 46 per cent of the net deficit from non-merchandise transactions. While less than the $433 million deficit in 1957 which constituted 51 per cent of the non-merchandise deficit, the underlying factors continued to work in the direction of a growing deficit from this source. The smaller deficit in 1958 was mainly due to a rise in receipts of some $23 million with the resumption of interest on the post-war loan to the United Kingdom. Reduced dividend transfers of non-resident investors were largely offset by higher interest payments by Canadian debtors to non-resident bond holders.

Expansion in the Canadian economy which has been financed by such massive imports of non-resident capital has led to a sharp increase in the Canadian balance of indebtedness to other countries. Since 1949 this rise has been more than threefold from $3.8 billion to over $13.5 billion. The principal factor bringing this about has been a rise in foreign capital invested in Canada from $8.0 billion in 1949 to $19.1 billion in 1958 with most of the rise being in equity forms of investment. In the same period net payments of interest and dividends have risen from $307 million to $420 million. While there are a number of reasons why these would not fluctuate directly in relation to the balance of indebtedness, comparison does suggest a substantial lag in the rise of remittances of income from foreign investments. Part of this lag is doubtless due to the long period it takes some investments to reach maturity—a state when profits are both earned and withdrawn. With some investments early operations do not yield the level of profits eventually reached and with many investments a considerable share of profits continued to be reinvested during periods of expansion. The non-resident investments in the petroleum industry provide an example where remittances of earnings have been low in relation to the large total of capital invested in recent years.

Payments of interest and dividends shown in this item total $586 million, virtually the same total as in 1957. This total is made up of interest of $181 million and dividends of $405 million. Not included are earnings retained in Canada of some hundreds of millions of dollars, and miscellaneous types of income amounting to $88 million, which are a part of the item Miscellaneous Current Transactions. In all the total earnings of non-residents on capital invested in Canada appear to have been in excess of $1 billion in 1958.

The interest element in the total has been growing rapidly since 1956, rising from $128 million in that year to $154 million in 1957 and $181 million in 1958. This rise, of course, reflects mainly the large volume of Canadian borrowing through sale of new Canadian issues in the United States and elsewhere abroad. The principal borrowers have been provincial and municipal governments, utilities, and some industrial corporations. It should be noted that a significant lag occurs in interest payments. Amounts of interest payments accruing on the more recent borrowing have exceeded the payments of interest entered in the balance of payments, as interest payments follow borrowing usually at intervals of six months. By 1958 interest paid abroad exceeded the peak levels of the period from 1930 to 1932.

Dividends paid non-resident investors totalling $405 million were less than the $433 million paid in 1957 but exceeded payments in any earlier year. As pointed out elsewhere these transfers have not been rising as sharply as investments of equity capital. Most of the drop in dividends in 1958 occurred in the transfers from direct investments which constituted more than three-quarters of the total dividends paid abroad. The rate of decline, some 6 per cent in this group, was not very different from that in dividends on portfolio investments in public companies.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-1958

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
	millions of dollars														
1946	8	39	101	149	-203	1	6	21	33	-47	13	57	125	187	-242
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	59	107	320	-347	2	12	16	57	-59	38	104	128	395	-381
1957	27	68	129	349	-383	2	8	17	61	-68	44	110	154	433	-433
1958	24	74	153	326	-381	25	8	18	58	-43	63	103	181	405	-420

Interest received by residents of Canada rose to $63 million in 1958 from $44 million in 1957 with the payment of some $23 million by the United Kingdom on the post-war loan. This brought the total of interest receipts to the highest level since 1953 when it was the same amount. Receipts of dividends fell from $110 million to $103 million, or by about the same rate as dividend payments. The total decline occurred both in receipts from direct investments and from portfolio investments. Changes in receipts from different sources were more irregular with higher receipts from the United States being partly offset by drops from subsidiaries in the Rest of the Sterling Area.

Not included in the interest and dividend receipts are miscellaneous receipts of income which in 1958 had risen to $72 million with larger transfers of earnings by Canadian financial institutions from branches abroad. Miscellaneous income of this kind is included in the item Miscellaneous Current Transactions which is analysed in statement 11.

Freight and Shipping Transactions

There was a moderate reduction in the deficit from freight and shipping transactions in 1958 to $59 million from $70 million in the previous year. While less than the peak which occurred in 1957, this remained higher than deficits in earlier years and contrasts with surpluses in the early post-war period when Canada had a substantial merchant marine at a time when the volume of imports was much less than in recent years.

Although the change in 1958 was influenced by trends in merchandise trade which led to the reduced import balance, the drop in payments for transportation was chiefly offset by a concurrent reduction in receipts on this account. The result was that the net change on freight and shipping account was small in comparison with the size of the reductions in commodity trade balance and a considerable drop in the deficit with the United States was chiefly offset by smaller net receipts from overseas countries.

A reduction in payments occurred both on ocean shipping account and for inland transportation in the United States to the border of coal and other imports. Expenditures abroad of Canadian shipping companies and operators, including the chartering of vessels on time charter, were lower, while freight on petroleum and other commodities imported by sea was higher.

The reduction in receipts on freight and shipping account was mostly in lower earnings of Canadian shipping operators from traffic between foreign ports and from receipts from time charters and in less inland freight earnings on some commodities exported like petroleum.

Inheritances and Migrants' Funds

A larger deficit amounting to $54 million resulted from these transactions compared with a revised estimate of $33 million in the previous year. A sharper drop in receipts than in payments led to this change.

The major factor contributing to this result was the contraction of more than one-half in the number of immigrants to Canada from the post-war peak of some 282,000 in 1957 to 125,000 in 1958. Changes in the countries of origin were quite varied. In the case of immigrants from the United Kingdom only about one-quarter as many came in 1958 while the number from the United States was maintained. Northern Europe was the source of about one-half as many as in the previous year while the decline in

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1952-1958

Item	1952	1953	1954	1955	1956	1957	1958
	millions of dollars						
Receipts by Canada							
Ocean shipping:							
Canadian operated ships:							
Gross earnings on exports	56	58	61	78	76	69	65
Charter receipts	13	7	3	9	20	21	9
Revenues between foreign ports	33	17	18	28	40	38	29
Sub-total	102	82	82	115	136	128	103
Expenditures of foreign ships in Canada	43	41	35	45	48	44	43
Gross shipping receipts	**145**	**123**	**117**	**160**	**184**	**172**	**146**
Inland freight on exports	201	161	159	185	204	194	190
Intransit revenues	29	29	29	32	33	38	37
Other receipts	8	5	8	21	36	41	28
Gross receipts (Table 1, item A6)	**383**	**318**	**313**	**398**	**457**	**445**	**401**
Payments by Canada							
Ocean shipping:							
Expenditures abroad of Canadian shipping companies and charter payments	64	60	67	95	104	113	96
Freight on imports via Canadian ports	71	75	66	77	105	108	113
Gross shipping payments	**135**	**135**	**133**	**172**	**209**	**221**	**209**
Inland rail freight in U.S. on imports:							
Coal via vessel	48	48	39	40	53	50	34
Coal via rail	33	26	22	20	25	11	13
Other rail freight	117	121	112	121	143	142	114
Sub-total	198	195	173	181	221	208	161
Miscellaneous payments	42	44	50	62	72	86	90
Gross payments (Table 1, item B6)	**375**	**374**	**356**	**415**	**502**	**515**	**460**

immigrants from other countries was relatively less than this. As a result of these changes the inflow of immigrants' funds in 1958 is estimated at around $70 million compared with an inflow of some $105 million in 1957.

Among movements of migrants out of Canada there was a contraction of almost 30 per cent in the number of residents in Canada emigrating to the United States, to the point where this number was lower than in any year since the earlier recession year of 1954. In contrast to this, there was a relatively sharper increase in the recorded amount of the movement back to the United Kingdom.

New estimates of the outflow of funds connected with outward migration from Canada have been made for the years 1957 and 1958 which show higher aggregates than the preliminary estimates for these years. There was a considerable decline in the outflow between 1957 and 1958 reflecting reduced total number migrating in the latter year.

Miscellaneous Current Transactions

The deficit of $349 million from miscellaneous current transactions in 1958 was significantly higher than that of $294 million in 1957 which in turn was much higher than in any earlier year, having risen sharply from $185 million in 1956. Payments rose in 1958 while receipts fell. Most of these changes took place in official contributions and in other government transactions. Personal and business groups of transactions were relatively stable except for a sharp rise in receipts of miscellaneous income.

Official contributions by the Canadian government at $50 million showed a considerable rise chiefly because of larger Canadian government expenditures on exports and services for Commonwealth countries in Asia financed under the Colombo Plan and other aid in the form of wheat and flour to relieve food shortages, including flour contributed to refugees in the Middle East and other aid through Canadian assistance to international organizations. Again the largest amounts of the contributions during the year went to India and Pakistan with smaller amounts to Ceylon and Malaya and to other countries outside of the Commonwealth. There was also technical assistance under the Colombo Plan to a larger group of countries.

Other government expenditures included in the item were chiefly on account of defence, although much of the rise in payments in 1958 can be traced to some non-recurring payments by the Canadian government arising out of tax refunds. With a decline in receipts and an increase in payments there was a deficit on government account of $43 million compared with net receipts of $14 million in 1957. The leading factor in the change was a drop in receipts chiefly reflecting reduced outlays in Canada on

defence installations and establishments by the United States government. The other major factor was the rise in unusual Canadian government expenditures referred to above, but the principal part of Canadian expenditures continued to be for military purposes. Most of these arose out of the Canadian Military Brigade and Air Force squadrons in Western Europe forming part of Canada's share of the NATO Forces. Included are such large items as pay and allowances of forces, local wages and salaries, payments for logistic support, construction and rentals, local purchases abroad of food and supplies, and cash contributions to NATO infrastructure charges and military budgets. Canada's share of the costs of carrying out such international responsibilities as membership in the United Nations' Forces in the Middle East and the Indo-China Truce Commission are also included. Costs of the representation of the Canadian government abroad through a variety of departmental activities make up another group of rising expenditures outside of Canada.

Canada's contribution of Mutual Aid to NATO countries of $142 million in 1958 is additional to the above expenditures and is shown in separate offsetting items of the annual statements of the current account. This aid continued to be made up of military equipment and supplies shipped to Canada's NATO partners and the provision of training to NATO aircrews in Canada. While shipments were higher provision for air training was less as that program has been gradually curtailed. In the period since 1950 when this form of aid was introduced up to the end of 1958 the total actually extended has been in excess of $1½ billion. Because of the special character of this military assistance Mutual Aid to NATO countries has not been reflected in current balances. Amounts of similar size are entered in current receipts to cover the export of goods and services and in current payments to represent the contributions in current account statements with all countries. These special exports do not appear in regular statistics of Canadian trade with Canada's NATO partners, nor in balance of payments statements with individual countries or groups of countries.

Net payments on account of personal and institutional remittances resulted in a slightly larger deficit in 1958 estimated at $62 million. This group of payments has risen substantially over the levels of early post-war years reflecting the large foreign-born population now living in Canada and rising personal incomes. In the decade ending in 1958 immigration to Canada totalled more than 1½ million persons.

Miscellaneous income transactions led to a much smaller deficit in 1958 with a fall from $30 million to $16 million. This was due to a sharp rise in receipts as payments also rose, although only slightly from the high level of the previous year. The largest components of receipts are earnings transferred by Canadian financial institutions from branch operations abroad along with other types of income not included elsewhere. In the case of payments there are remittances of profits of Canadian branches of foreign insurance companies, interest on inter-company borrowing, usually between subsidiaries in Canada and parent companies abroad, interest on mortgages, savings balances, and treasury bills, remittances of income by trust companies and other nominees administering non-resident estates in Canada.

The deficit from "business services and other transactions at $178 million was not significantly different from 1957 when the deficit was $182 million, but this makes a second year at a considerably higher level than formerly. Among the underlying influences behind the growth in these payments have been the spreading corporate relationships between Canada, United States, United Kingdom, and Europe. The great extension in the number of instances of international direct investment and the large investment programmes associated with them have been accompanied by a larger international exchange of business services. These have led to a predominance of payments by Canada for services as investment movements in recent years have led to a much greater growth in non-resident direct investments in Canada than in Canadian direct investments abroad. The effects of new investment on net payments for services have been both immediate and cumulative. Large elements of costs for the initial investments have been incurred in the United States particularly, for non-resident engineering and technical services used in the projects. And subsequently with the establishment of the direct investments there are usually appreciable head office expenses incurred in operations.

The range of items covered in this group of transactions is very wide but may broadly be described as business and personal services. Some of the largest groups of these transactions are those between the branch and subsidiary companies and head offices and affiliated companies as already noted. These transactions cover, among other items, such head office charges as those for administration and management, engineering, research and advertising. This group of payments to home offices is very large and in recent years reported payments have been rising and for several years have been well in excess of $100 million per year. There is also a great variety of payments for services between unrelated parties for the many commercial, financial and professional services forming a part of Canada's business life where one party is a resident of the United States or overseas. Included are such items as royalties, copyrights, advertising, engineering and technical services, and commissions, to mention only a few. Earnings of migrant labour and international commuters also are entered in this account and there are large entries for the international expenditures of airlines and other transportation expenses not forming part of the freight and shipping account. Some international insurance transactions are also included in the item of business services but these are not relatively large and are chiefly offsetting as most insurance transactions affecting the balance of payments are covered under miscellaneous income in the case of profit transfers and among security transactions in the case of capital movements.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1956-1958

Item	Receipts			Payments			Balance		
	1956	1957	1958	1956	1957	1958	1956	1957	1958
	millions of dollars								
Official contributions	—	—	—	30	37	50	- 30	- 37	- 50
Government transactions, n.o.p.	219	160	118	139	146	161	+ 80	+ 14	- 43
Personal and institutional remittances	23	24	23	79	83	85	- 56	- 59	- 62
Miscellaneous income[1]	54	56	72	64	86	88	- 10	- 30	- 16
Business services and other transactions	146	148	153	315	330	331	-169	-182	-178
Total (Table 1, items A11 and B9, 11)	**442**	**388**	**366**	**627**	**682**	**715**	**-185**	**-294**	**-349**

[1] Includes transfers of branch profits by insurance companies and banks.

Capital Movements

Summary

Despite the somewhat more moderate level of capital formation in 1958, Canada continued to draw substantially on the resources, real and financial, of the rest of the world, although changing conditions were reflected to some extent in the character and volume of capital movements between Canada and other countries.

The current account deficit and the capital movements which on balance financed it totalled $1,085 million. The net inflow of foreign capital for direct investment in foreign-controlled enterprises in Canada totalled $450 million, and transactions in portfolio Canadian securities led to a further inflow of $623 million. These two groups of transactions added $1,073 million to Canadian external liabilities in long-term forms. In 1957 direct investment provided $514 million and Canadian securities $757 million, a total of $1,271 million. The decline of 16 per cent in these inflows was considerably below the decline of 24 per cent in the current account deficit.

On the long-term asset side in 1958 there were outflows of $20 million for Canadian direct investment abroad, which were more than offset by $6 million of Canadian capital returned from transactions in foreign securities and $30 million from the net repayment of war and post-war loans extended by Canada less new loans made in 1958. This net inflow or return of capital amounting to $16 million compared with a net outflow of $12 million in 1957 when there were larger movements for direct investment abroad but larger net repayments of intergovernmental loans.

Transactions in the long-term forms described above, together with those appearing in statement 15, led to a net capital import of $1,173 million in 1958 compared with $1,301 million in the previous year, a decline of only 10 per cent while the current account deficit declined 24 per cent.

Including changes in Canadian dollar holdings of non-residents, and in official holdings of gold and foreign exchange, other capital movements led to a net capital outflow of $88 million in 1958, in contrast to a net inflow of $123 million in the preceding year of heavier demand pressures.

The capital movements in long-term forms were equivalent to 8 per cent more than the current account deficit. The corresponding inflows in 1957 fell some 9 per cent short of the deficit in that year. In 1956 they were some 4 per cent greater, in 1955 they fell short by more than 40 per cent, while in each earlier post-war year of current account deficits capital imported in long-term forms exceeded the deficit to be financed. The comparative ease with which adjustment to substantial shifts of both long-term capital flows and current account deficits has taken place has been a characteristic of the Canadian balance of payments in the 1950's.

The United States supplied a larger amount of capital in long-term forms in 1958 than in 1957, and only an insignificantly smaller amount than in 1956. The United States share of the total was 82 per cent in 1958, 73 per cent in 1957. The capital in long-term forms supplied by the United Kingdom fell by 25 per cent over the preceding year, and its share in the total was 15 per cent in 1958, 18 per cent in 1957. The movement in long-term forms from other overseas countries fell by 73 per cent, and the share of the total to 3 per cent from 9 per cent. New extensions of credit by Canada to finance the sale of wheat and flour contributed to the change with this group of countries.

A significant feature of the capital account in 1958 was the decline in inflows involving investment in Canadian businesses. The net movement of capital into foreign-controlled concerns in Canada fell by $64 million, and the net movement for the acquisition of securities of other Canadian companies fell by $286 million. But despite this striking contraction, the inflows into these Canadian business investments in 1958 amounted to over $750 million, and the growth of non-resident investment in Canadian corporations was much larger because of the substantial amounts of earnings ploughed back into these firms. Associated with the decline in the

rate of business investment was substantially increased activity on government account, reflected in the capital account of the balance of payments by net sales of securities of Canadian governments which totalled $319 million, an increase of over 90 per cent compared with 1957.

Investment in equity forms served to finance somewhat more than half the current account deficit in 1958. In 1957 it financed somewhat less, but the proportion of equity financing in 1956 was higher.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1958 amounted to $450 million. This represents a decline of $64 million from 1957 and of $133 million from the record year of 1956. The inflow in 1958 was, however, nearly $100 million above the average for the years from 1950 to 1955 and many times larger than the annual inflows prior to the fifties.

The decline in 1958 of 12 per cent in net inflows of foreign direct investment capital was slightly less than the reduction in business gross fixed capital formation in the form of new non-residental construction and new machinery and equipment, although it should be noted that direct investment flows are not necessarily devoted to financing of new fixed capital formation, nor need they correspond to the timing of capital expenditure. On the other hand, the introduction of new investment from abroad or from other sectors of the domestic economy is in a sense marginal insofar as it supplements important internal savings in the form of capital consumption allowances and undistributed profits. As a consequence new financing may be expected to be more volatile than gross capital formation, and for this reason the relative magnitude of the decline in direct investment inflows in 1958 is of considerable significance.

Net inflows from the United States fell by 15 per cent, or by $59 million to $331 million in 1958. A drop of $29 million or 49 per cent occurred in net inflows from overseas countries other than the United Kingdom, mainly Western European, which totalled $30 million. In contrast the net inflow of direct investment capital from the United Kingdom rose by $24 million or 37 per cent compared with 1957 to total $89 million, although the full change was not related to capital formation during the year.

Industrially most of the decline in 1958 was in net inflows to manufacturing industries. There appears to have been a slight decline in the inflows for the petroleum and natural gas industry which was more than offset by an increase in the inflows for mining operations. Compared with 1957 it would seem that there was an increase in the proportion of the inflows going into both the petroleum and natural gas industry and mining, but a significant decline in the proportion of the capital supplied to manufacturing.

The capital inflow for direct investment was considerably higher in the last half of 1958 than in the first half. The fourth quarter figure of $142 million was the second highest recorded for a fourth quarter during the period of nine years covered by official estimates, having been exceeded only in 1956. Some 55 per cent of the inflow in 1958 occurred in the last half of the year, compared with 51 per cent in 1956 and 1957. But in all three years there were extraordinary transactions in the last half of the year relating to capital formation in other periods.

The industrial distribution of movements of capital related to United States direct investment in Canada is given as usual in statements 12 and 12A. These show that 88 per cent of the net inflow of United States capital for direct investment in Canada in 1958 was directed to the petroleum and natural gas industry and mining, up from 76 per cent in 1957. The net amount involved was little different in the two years, $290 million in 1958 and $298 million in 1957, with a reduction in inflows for petroleum and natural gas being partly offset by an increase for mining. (The differences in gross direct investment inflows to these industries were somewhat larger).

In contrast with the relative stability in petroleum, natural gas and mining, there was a sharp change in the net movement of United States direct investment capital to the pulp and paper industry, a net inflow of $33 million in 1957 being replaced in 1958 by a net outflow of $10 million; many companies in the industry found themselves in a position to repay indebtedness to parent companies in 1958. Net inflows to other manufacturing concerns contracted from $45 million to $31 million, while those to all other industrial groups rose from $14 million to $20 million.

Annual estimates of the total value of direct investments cover the total investments owned by all residents of the country in which control lies, in contrast with estimates of direct investment flows shown in balance of payments statements which are confined to those affecting the investment of controlling or affiliated interests. As a consequence there are capital movements recorded in the statements under categories other than direct investment which directly affect the estimated value of direct investments. These movements are also shown in statements 12 and 12A. They totalled $219 million in 1957 and $137 million in 1958. The decline was more than accounted for by reduced borrowing in the United States by the petroleum and natural gas industry. Taken together, the net capital movement adding to United States direct investment in Canada amounted in 1957 to $609 million and in 1958 to $468 million. All other factors, including the retention of profits, accounting adjustments, etc., added a further $473 million in 1957 and an estimated $256 million in 1958. The recorded increase in the book value of United States direct investment in 1957 was $1,082 million and the estimated increase in 1958 was $724 million. The 1958 figure was also considerably below 1956; it was about the same magnitude as in 1955 but much larger than in earlier years.

STATEMENT 12. United States Direct Investment in Canada, 1946-1958

Account	1950	1951	1952	1953	1954	1955	1956	1957	1958[3]	1946-1958[4]
	millions of dollars									
Gross inflows of new capital:										
Petroleum and natural gas industry[1]	116	140	178	172	187	195	243	260	222	1,809
Mining n.i.e.	30	37	98	104	66	60	63	78	96	649
Pulp and paper	9	31	7	1	23	35	42	48	14	258
Manufacturing n.i.e.			71	52	41	77	108	111	90	
Utilities n.i.e.			2	6	2	9	2	3	6	
Merchandising n.i.e.	88	101	5	31	9	21	16	27	17	1,215
Financial			1	13	15	17	16	21	13	
Miscellaneous			2	4	7	9	16	17	8	
Sub-total	**243**	**309**	**364**	**383**	**350**	**423**	**506**	**565**	**466**	**3,931**
Return of capital	43	39	45	37	62	117	100	175	135	834
Net capital inflow for direct investment (Table I, item D1)	200	270	319	346	288	306	406	390	331	3,097
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises[2]	17	34	129	– 2	22	32	225	219	137	772
Net capital inflow	**217**	**304**	**448**	**344**	**310**	**338**	**631**	**609**	**468**	**3,869**
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	114	166	186[5]	332	271	391[5]	247[5]	473	256[6]	3,027
Net increase in book value – Table X(B)	331	470	634	676	581	729	878	1,082	724	6,896

[1] Exploration, development, refining, transportation, distribution and marketing.
[2] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[3] Preliminary.
[4] For annual detail 1946 to 1949 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".
[5] This figure is affected by unusually large reclassifications between direct and portfolio investments.
[6] Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross business fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12A. Additional Detail of United States Direct Investment in Canada, 1957 and 1958

Industry	1957					1958[3]				
	Direct investment transactions			Other capital movements[2]	Net capital inflow	Direct investment transactions			Other capital movements[2]	Net capital inflow
	Inflows	Outflows(–)	Net inflow			Inflows	Outflows(–)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry[1]	260	– 24	236	128	364	222	– 8	214	8	222
Mining, n.i.e.	78	– 16	62	17	79	96	– 20	76	52	128
Pulp and paper	48	– 15	33	– 10	23	14	– 24	– 10	– 4	– 14
Manufacturing, n.i.e.	111	– 66	45	101	146	90	– 59	31	72	103
Utilities, n.i.e.	3	– 3	–	1	1	6	– 1	5	– 2	3
Merchandising, n.i.e.	27	– 22	5	– 4	1	17	– 13	4	– 4	–
Financial	21	– 18	3	– 11	– 8	13	– 2	11	16	27
Miscellaneous	17	– 11	6	– 3	3	8	– 8	–	– 1	– 1
Total	**565**	**–175**	**390**	**219**	**609**	**466**	**–135**	**331**	**137**	**468**

For footnotes see Statement 12.

In the thirteen years of the post-war period there have been gross inflows from the United States for direct investment in Canada aggregating $3,931 million, of which nearly two-thirds went to the petroleum, natural gas, and mining industries. During the same period some $834 million of United States direct investment capital was returned to that country, but movements of portfolio capital added a further $772 million to the value of United States investment in United States-controlled enterprises in Canada, making a total movement of United States capital of $3,869 million. Retention of profits, reclassifications, etc., led to a further rise of $3,027 million in the period, raising the book value of United States direct investments in Canada from $2,304 million at the end of 1945 to $9,200 million at the end of 1958.

Inflows of direct investment capital from the United Kingdom totalling $89 million in 1958 were well above the total of $65 million for 1957 and not far below the post-war record of $98 million established in the preceding year. Larger amounts of United Kingdom capital were directed in 1958 to the petroleum industry and to manufacturing enterprises although the increase in the latter category does not appear to have given rise to new capital expenditures.

Net direct investment inflows from overseas countries other than the United Kingdom, mainly Western European countries, totalled $30 million in 1958 compared with $59 million in 1957 and $79 million in the preceding year. The decline in the most recent year included substantially smaller inflows to manufacturing industries.

It will have been evident from the discussion above that estimates of the Canadian balance of payments do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a contributing factor to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investments in Canada includes passive or involuntary reinvestment by foreign shareholders (although of course they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

STATEMENT 12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946 - 1957

(millions of dollars)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1946	120	1949	155	1952	290	1955	370
1947	125	1950	155	1953	340	1956	480
1948	160	1951	200	1954	300	1957	450
Total 1946 - 1957					**3,145**		

Decisions with respect to the transfer of earnings between subsidiaries and parent companies are presumably dictated primarily by the relative need for funds in Canada or abroad. In the absence of immediate and pressing need for the funds, conditions in the money and exchange markets assume greater importance. Other possible determining influences may include any effect on the corporation's overall tax position or on its published accounts. These types of consideration are believed to be more important in the subsidiary-parent relationship typical of direct investment than in the public company whose profit distributions represent a final disposition of resources and for whose shareholders a relatively stable dividend rate generally has attraction. The dividend payment practices of direct investment companies have varied considerably over the post-war period. Until the end of 1951 about 60 per cent of direct investment earnings were distributed. In the period since that time distributions have averaged about 44 per cent of earnings. This has been considerably below the average for all companies in Canada, which, between 1952 and 1958, paid out some 49 per cent of earnings.

Estimates of the total retained earnings on all foreign direct investments appear in statement 12B. (Figures are not available separately by country nor for Canadian direct investment abroad). Earnings retained during 1957 are estimated to have amounted to $450 million. This was somewhat below the amount retained in 1956, but dividend payments were higher and the total earnings on foreign direct investments in Canada appear to have differed little in the two years. The accumulation of undistributed earnings has added $3,145 million to Canada's external indebtedness in the twelve years between 1946 and 1957. Retained earnings on foreign portfolio investment in Canada add further large amounts. The significance of this sum, large as it is, is given added emphasis by the rapidly rising trend evident in the figures. And of even greater significance is the fact that many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

Direct Investment Abroad

There was a net outflow of capital for Canadian direct investment abroad during 1958, but it was smaller than for any year since 1951. The net outflow of $20 million was down sharply from the figure of $68 million for 1957, and from the record of $104 million established in the previous year. In 1956 there had been significant investment by Canadians to acquire control over existing enterprises in the United States; some of these interests were sold during 1958 causing the net inflow in the latter year. Movements between Canada and the United States of Canadian direct investment capital were inwards on balance for the first time since 1950. The net return to Canada of $6 million of capital contrasted with the outflow of $35 million in 1957 and of $70 million in 1956. There was also a shift in the direction of the capital movement with the United Kingdom related to Canadian direct investment, and an outflow of $5 million occurred in 1958 in contrast to repatriation of $4 million in 1957. And transactions with other sterling area countries led to an inflow of $9 million in sharp contrast to an outflow of $15 million in the preceding year; a part of the shift represents a partial return of funds supplied to finance expansion of some enterprises in recent years. There were net outflows of Canadian direct investment capital to other OEEC and all other countries in both years, $22 million in 1957 and $30 million in 1958. The largest parts of these movements, $16 million and $21 million respectively, were to Latin American countries.

Canadian direct investment transactions during 1958 were spread over a wide variety of industrial and commercial enterprises including beverages, farm implements, pulp and paper, other manufacturing,, mining, oil, utilities and distribution.

Summary of Transactions in Portfolio Securities

Portfolio security transactions were again by far the largest source of foreign capital in 1958, supplying an amount equivalent to 58 per cent of the deficit on current account. This was a higher proportion than for any other post-war year of current account deficit except 1950. The net inflow of $629 million was less than occurred in either 1956 or 1957 when very strong demand pressures were exerted in Canadian capital markets by unprecedented levels of business capital investment and inflows of $727 million and $763 million respectively occurred from security transactions. The capital import from security transactions in 1958 was, however, close to twice the amount in 1950 when the previous record was set in an atmosphere of exchange rate speculation.

The broad similarity of magnitude in the overall capital movement arising from portfolio security transactions in 1956, 1957, and 1958 conceals underlying changes of considerable significance. There were changes in the trend between 1956 and 1957 and again in 1958. The period of greatest inflow occurred in the last half of 1956 and the first half of 1957 when the movement from these transactions was more than $1,000 million. With a moderating level of economic activity the capital inflow from these transactions in the ensuing twelve months fell to less than $600 million. An upturn was apparent in the last half of 1958 when net sales of portfolio securities produced a capital inflow about a quarter larger than in the corresponding period of 1957.

The total for 1958 was made up of $623 million from net sales to non-residents of Canadian securities and $6 million from net sales of foreign securities. This movement of $629 million compared with $763 million in 1957 when there were net sales of $757 million Canadian securities and $6 million foreign securities. Trade in outstanding Canadian securities in 1958 reflected a sharp drop in net sales of Canadian stocks, but trading of outstanding Canadian bonds and debentures was in balance, in contrast to significant net repurchases in 1957. The balance from trade in all outstanding Canadian securities was $84 million compared with $92 million in 1957. The sale to non-residents of new issues of Canadian securities produced $695 million, compared with $798 million in 1957, and retirements of foreign-held Canadian securities amounting to $156 million compared with $133 million in the previous year.

The increased role in economic activity in 1958 of expenditures by governments at all levels was mirrored in the capital movements from security transactions. In contrast to 1957 when the net inflow from all Canadian securities was made up of $167 million from transactions in bonds and debentures of Canadian governments and municipalities and $590 million from corporate bonds, debentures and stocks, the 1958 totals included $319 million of government issues and $304 million of corporate issues. Thus the inflow from net transactions in government issues rose by some $152 million to nearly twice the 1957 total, while at the same time net transactions in corporate issues fell by $286 million to just over half their 1957 value. Contracts for sale show an even greater disparity, as sales contracts outstanding on a deferred delivery basis were reduced. This development was largely related to the completion of some pipe line financing.

Another striking change in portfolio security transactions in 1958 was the geographical origin of the capital inflow. Although the net inflow from all countries declined by 18 per cent to $629 million, inflows from the United States declined by 2 per cent to $548 million. Net sales to the United Kingdom fell from $127 million to $36 million or by 72 per cent, and net sales to other overseas countries fell from $75 million to $45 million, or by 40 per cent. As a result of these changes the proportion of the movement coming from the United States rose from 73 per cent in 1957 to 87 per cent in 1958, while the proportions from the United Kingdom and from other overseas countries fell from 17 per cent and 10 per cent to 6 per cent and 7 per cent respectively.

The tremendous volume of international security movements of portfolio capital between Canada and

other countries is evident from the gross transactions of about $2.5 billion recorded in 1958. This turnover was below the levels of recent years, and compared with $3.0 billion in 1957, $3.2 billion in 1956 and $2.7 billion in 1955.

Additional comment and statistical detail on international movements of portfolio capital, including quarterly figures classified by debtor, will be found in the DBS reports, "Sales and Purchases of Securities between Canada and Other Countries," particularly the December issues which contain an annual review.[1]

Transactions in Outstanding Canadian Securities

Trade in outstanding Canadian issues was dominated again in 1958 by the sale to non-residents of Canadian common and preference stocks, although the net balance of $84 million from these transactions fell considerably short of amounts of $137 million and $188 million realized in 1957 and 1956 respectively. On the other hand, net sales to non-residents of outstanding Canadian bonds and debentures were in balance, contrasting with net repurchases of $45 million in the previous year. The contrast between results of the trading in Canadian stocks and in Canadian bonds was accordingly less striking in 1958 than in 1957. Details of these transactions appear in statement 13.

Net sales of outstanding Canadian stocks occurred in each quarter of 1958 and in eleven out of the twelve months; there have been sales balances in each quarter in the past five years, during which non-residents have invested $676 million through the purchase of outstanding Canadian equities. Net sales had declined sharply in the fourth quarter of 1957 and fell still further to only $3 million in the first quarter of 1958. They then rose sharply to $16 million in the second quarter and $34 million in the third, declining moderately to $31 million in the final quarter.

Repatriation of foreign-held Canadian bonds and debentures through net repurchases of outstanding issues had occurred quarter by quarter since the first quarter of 1956, and this trend continued through the third quarter of 1958. But the final quarter saw a marked resurgence of foreign interest in Canadian bonds, and a sales balance of $21 million was sufficient to offset the net repatriation in the preceding quarters of the year.

[1] Due to revisions the figures in this report will in some cases differ from those included in the earlier publication.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1957 and 1958

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1957	1958	1957	1958	1957	1958	1957	1958
	millions of dollars							
By type of security								
Bonds and debentures:								
Government of Canada, direct	− 6	+21	+ 16	+ 67	− 8	− 25	+ 2	+ 63
Government of Canada, guaranteed	− 8	− 1	—	+ 9	− 21	—	− 29	+ 8
Provincial government (including guaranteed)	− 15	−18	+136	+167	− 25	− 45	+ 96	+104
Municipal government	− 1	− 1	+123	+175	− 24	− 30	+ 98	+144
Railways, not guaranteed by government	− 4	− 3	—	+ 1	− 5	− 2	− 9	− 4
Other corporations	− 11	+ 2	+462	+233	− 25	− 38	+426	+197
Sub-total: bonds and debentures	**− 45**	**—**	**+737**	**+652**	**−108**	**−140**	**+584**	**+512**
Common and preference stocks	+137	+84	+ 61	+ 43	− 25	− 16	+173	+111
Total (Table 1, items D3, 4, 5)	**+ 92**	**+84**	**+798**	**+695**	**−133**	**−156**	**+757**	**+623**
By country								
United States	− 65	+56	+722	+618	−105	−131	+552	+543
United Kingdom	+ 87	+ 7	+ 59	+ 41	− 21	− 15	+125	+ 33
Other sterling area	—	—	—	—	—	—	—	—
Other OEEC countries	+ 75	+31	+ 16	+ 26	− 7	− 10	+ 84	+ 47
Other countries	− 5	−10	+ 1	+ 10	—	—	− 4	—
Total (Table 1, items D3, 4, 5)	**+ 92**	**+84**	**+798**	**+695**	**−133**	**− 156**	**+757**	**+623**
By quarter								
First quarter	+ 30	—	+274	+175	− 42	− 29	+262	+146
Second quarter	+ 44	+ 4	+295	+292	− 25	− 51	+314	+245
Third quarter	+ 28	+28	+144	+100	− 36	− 24	+136	+104
Fourth quarter	− 10	+52	+ 85	+128	− 30	− 52	+ 45	+128
Total (Table 1, items D3, 4, 5)	**+ 92**	**+84**	**+798**	**+695**	**−133**	**−156**	**+757**	**+623**

The geographical distribution of the balances from trade in outstanding Canadian securities underwent marked change between 1957 and 1958. The overall sales balance was not greatly changed, $92 million in 1957 and $84 million in 1958. But there was a change of $121 million in the balance of transactions with the United States from net repurchases of $65 million to net sales of $56 million. At the same time net sales to the United Kingdom contracted sharply from the peak of $87 million in 1957 to only $7 million in 1958, and net sales to all other overseas countries fell from $70 million to $21 million.

The striking change in the pattern of security trading between Canada and the United States in 1957 and 1958 reflected a fall in net repurchases of outstanding Canadian bonds and debentures from $70 million to $10 million. Repatriation occurred during the first three quarters of the year but on a scale greatly reduced compared to that recorded since early 1956, and in the final quarter of the year there was a significant sales balance of $11 million. This arose mainly from increased United States interest in Government of Canada direct and guaranteed issues and greatly reduced repatriation of outstanding Canadian corporate issues. Under the market conditions prevailing during the year the trade in outstanding Canadian issues undoubtedly included some significant repurchases for sinking fund accounts. While this change was occurring in the trade in Canadian bonds and debentures, there was a sharp increase in sales to the United States of outstanding Canadian equities, from $5 million in 1957 to $66 million in the year under review. This total was still below the high levels recorded in the years from 1954 to 1956.

The eight special investment funds organized by United States interests and described in earlier reports were not as important a factor in the international trading of Canadian securities as in earlier years. During 1957 they had raised net new capital of about $62 million and invested some $74 million in Canadian securities. During 1958 the net new capital raised is estimated at about $7 million, and investments in Canadian securities at about $14 million. There were thus net sales of Canadian stocks to the funds in both years. In 1957 there were substantial repurchases from other United States investors while in 1958 there were substantial sales to them. Sharp changes in security prices over the two years affected the value of investments in Canadian securities by the eight funds. As a result in 1957, when investment of $74 million occurred, the net value of the holdings rose by only $6 million. And in 1958 the investment of $14 million was accompanied by a growth of $92 million in the value of the holdings. At the end of 1958 the total investment in Canadian long-term securities by the funds was placed at $353 million, of which $345 million is estimated to have been owned by United States investors.[1]

[1] Estimates in this paragraph are based on balance sheet data which do not correspond precisely with the calendar year.

Net sales of outstanding Canadian securities to residents of the United Kingdom during 1958 amounted to only $7 million or about 8 per cent of the total with all countries. This was in sharp contrast with the results of security trading in 1957 when net sales to the United Kingdom of $87 million represented well over 90 per cent of the net movement. In the main this change reflected reduced net sales of Canadian equities to the United Kingdom, a trend which had been evident since mid 1957. Net sales of outstanding Canadian common and preference stocks amounted to $27 million, $42 million, $17 million and $1 million in the successive quarters of 1957, totalling $87 million over the year. In 1958 the successive quarterly movements showed net repurchases of $4 million followed by net sales of $3 million, $3 million and $2 million, to total $4 million for the year as a whole. It will be recalled that in July 1957 changes were made in the foreign exchange control arrangements of the United Kingdom which reduced the facility with which residents of that country could add to their holdings of dollar securities.

Minor changes occurred in the results of trading in other types of securities. A small sales balance of $3 million occurred from trade in Canadian securities other than stocks, in contrast with the balance in 1957. This sales balance covered Government of Canada issues.

Trading of outstanding Canadian securities between Canada and countries other than the United States and United Kingdom also led to a sharply reduced sales balance in 1958 compared to 1957. The capital inflow in this form amounted to $21 million or about 25 per cent of the net movement from all countries. In 1957 the sales balance was $70 million or over 75 per cent of the net inflow from all countries. Some $31 million of the reduction occurred in the sales balance from trading in outstanding Canadian stocks, which fell from $45 million in 1957 to $14 million in 1958. The balance from transactions in other Canadian securities, mainly bonds and debentures, fell from $25 million to $7 million, as a sales balance of Government of Canada issues in 1957 was reversed in 1958, and net sales of corporate bonds and debentures fell.

New Issues and Retirements of Canadian Securities

The proceeds of new issues of Canadian securities sold to non-residents totalled $695 million, a decrease of $103 million from the record total established in 1957. The inflow was, however, $28 million higher than the earlier record of 1956. As in 1957 about 70 per cent of the movement occurred in the first half of the year. Details of the new issues sold to non-residents, classified by issuer, appear in statement 13.

Sales to non-residents of new corporate issues in 1958 fell to half their 1957 level, and a considerable part of this total represented deliveries in 1958 of bonds whose sale was arranged on a deferred delivery basis in 1957. Gross new corporate issues were about 30 per cent lower than in 1957,

again demonstrating the tendency for recourse to foreign security markets to fluctuate more widely than the volume of new corporate financing. Sales to non-residents of new issues by each level of government were larger in 1958 than in 1957. The predominant part of new governmental financing has for many decades been supplied from domestic savings, but the share met by sales to non-residents rose in 1958 compared with 1957, if the special Conversion Loan operation is omitted.

Residents of the United States bought about 90 per cent of the new issues sold to non-residents in both 1957 and 1958. The proportion of new issues of Canadian bonds and debentures sold to non-residents which provided for payment either optionally or solely in foreign currency fell from about 85 per cent in 1957 to about 80 per cent in 1958. This change reflected increased sales to non-residents of new Government of Canada direct and guaranteed issues payable in Canadian dollars.

STATEMENT 13A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1957 and 1958

	1957					1958				
	IQ	IIQ	IIIQ	IVQ	Year	IQ	IIQ	IIIQ	IVQ	Year
	millions of dollars									
Sales contracts entered into during period	279	260	68	48	655	149	260	14	130	553
Add sales in earlier periods for delivery in period	80	60	77	27	118	9	32	72	5	75
Deduct sales in period for delivery later	- 126	- 53	- 20	- 2	- 75	- 1	- 42	—	- 26	- 26
Proceeds of new issues during period (included in Table I, item D4)	233	267	125	73	698	157	250	86	109	602

Note: Details of all contracts are not available and the deferred deliveries shown are probably somewhat underestimated.

Statement 13A provides a quarterly reconciliation between contracts entered into covering sales to residents of the United States of new Canadian bonds and debentures, and the delivery data appropriate for balance of payments statements. The significance of these series of data to analysts interested in the relationship of capital movements to concurrent conditions in the international capital and exchange markets was discussed briefly in the previous report in this series. It is of interest to note that undelivered issues fell from $118 million at the beginning of 1957 to $75 million at the end of that year and to $26 million at the end of 1958. This development has been largely related to the completion of some pipe line financing. Sales in earlier periods accounted for 17 per cent of the proceeds of all new issues received in 1957 and 12 per cent of the smaller total in 1958.

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian securities is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of Canadian securities sold to residents of the United States in 1958 were $618 million. This included $16 million from the sale of Canadian stocks, $103 million from the sale of Canadian bonds and debentures payable solely or optionally in Canadian funds, and $499 million from the sale of Canadian bonds and debentures payable in United States funds only. The par value of the latter issues was $522 million, from which there was deducted about $6 million for discounts and underwriting commissions, $2 million for other expenses and $15 million for discount on the United States dollar.

Retirements of foreign-held Canadian securities totalled $156 million in 1958. This compared with $133 million in 1957. Details by debtor appear in statement 13. About 80 per cent of the foreign-owned issues retired in 1957 and nearly 85 per cent in 1958 were held by residents of the United States. In 1958 about 65 per cent of the bonds and debentures retired provided for payment optionally or solely in foreign currency in contrast to 1957 when the proportion was about 80 per cent of the smaller total.

Transactions in Foreign Securities

The net capital import from the liquidation of Canadian holdings of foreign securities amounted to $6 million in 1958, corresponding to the revised figure for 1957. Trade in outstanding foreign securities led to a capital inflow of $16 million as Canadians resold on balance $31 million of outstanding foreign stocks but purchased $15 million of foreign bonds and debentures. Purchases of new issues of foreign securities totalled $17 million, but against this outflow was $7 million received from the retirement of Canadian held foreign securities. Details of these transactions appear in statement 14.

STATEMENT 14. Transactions in Foreign Securities Between Canada and Other Countries, 1957 and 1958

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1957	1958	1957	1958	1957	1958	1957	1958
	millions of dollars							
By type of security								
Foreign bonds and debentures	−28	−15	−16	−13	+ 6	+ 7	−38	−21
Foreign common and preference stocks	+52	+31	− 8	− 4	—	—	+44	+27
Total (Table I, items D6, 7, 8)	**+24**	**+16**	**−24**	**−17**	**+ 6**	**+ 7**	**+ 6**	**+ 6**
By country								
United States	+20	+14	−15	−13	+ 4	+ 4	+ 9	+ 5
United Kingdom	+ 2	+ 2	—	—	—	+ 1	+ 2	+ 3
Other sterling area	—	—	—	—	—	—	—	—
Other OEEC countries	+ 2	—	− 5	—	—	—	− 3	—
Other countries	—	—	− 4	− 4	+ 2	+ 2	− 2	− 2
Total (Table I, items D6, 7, 8)	**+24**	**+16**	**−24**	**−17**	**+ 6**	**+ 7**	**+ 6**	**+ 6**
By quarter								
First quarter	−12	+ 5	− 5	− 4	+ 1	+ 2	−16	+ 3
Second quarter	+15	—	− 4	− 7	+ 2	+ 1	+13	− 6
Third quarter	+13	+ 3	− 8	− 2	+ 1	+ 2	+ 6	+ 3
Fourth quarter	+ 8	+ 8	− 7	− 4	+ 2	+ 2	+ 3	+ 6
Total (Table I, items D6, 7, 8)	**+24**	**+16**	**−24**	**−17**	**+ 6**	**+ 7**	**+ 6**	**+ 6**

Loans by Government of Canada

A feature of the Canadian balance of payments in 1958 which has been absent since 1950 was the extension of Government credit to overseas Governments. Advances to India and Ceylon to cover purchases of Canadian wheat and flour totalled $34 million during the year. Repayments of principal on earlier intergovernmental loans totalled $64 million, compared with $50 million in 1957. During 1958 the Government of the United Kingdom repaid $30 million on the interest-free loan of 1942, completing repayment of the entire credit of $700 million, and also repaid $16 million on the 1946 loan; in 1957 the United Kingdom elected under the agreement to defer the scheduled principal repayment on the latter loan. Other principal repayments totalling $18 million were made during 1958 by Belgium, France, the Netherlands, and Norway.

By the end of 1958 the outstanding balances on loans of $2,484 million extended by Canada since the beginning of World War II amounted to $1,452 million, not including $44 million of deferred interest on the loan of 1946 to United Kingdom. The amount of principal outstanding on the United Kingdom loan was $1,081 million, and a further $371 million was outstanding to other overseas countries from the post-war loans made under Part II of the Export Credits Insurance Act, the special wheat and flour loans referred to above, etc. There was in addition $32 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1958 payments were overdue on the intergovernmental loans made in the inter-war years and on the post-war loan to China. These inactive loans amounted to $80 million out of the total of $1,484 million outstanding.

Change in Canadian Dollar Holdings of Foreigners

A substantial inflow of capital occurred in 1958 from increased holdings of Canadian dollars by foreigners. The balances decreased $16 million in the first quarter, increased $41 million and $90 million in the second and third, and declined $9 million, for a net increase of $106 million. This increase followed declines totalling $59 million in 1956 and 1957.

By far the largest part of the change occurred in the balances of residents of the United States which rose $35 million in the second quarter and $75 million in the third, but declined by $27 million in the final quarter for a net increase over the year of $83 million. The Budget Paper tabled in the House of Commons on April 8, 1959 revealed an increase during the twelve months ended March 31, 1959 in the Government's deposit and trust account for the United States — S.A.C. bases estimated at $43 million. This account covers funds received by Canada from the United States Government for the purpose of facilitating the placing of contracts by the Royal Canadian Air Force on behalf of the United States Air Force in respect of Strategic Air Command bases.

Canadian dollar holdings of residents of each of the other areas shown separately in Canadian balance of payments statements also rose during the year.

Total Canadian dollar holdings of all non-residents other than the International Bank for Reconstruction and Development and the International Monetary Fund amounted at the end of 1958 to about $485 million. At the end of 1950 they reached a year-end peak of $600 million and their lowest year-end level since that time was about $320 million at the end of 1953. Holdings at the end of

1958 included about $50 million of Canadian treasury bills, and about $435 million of claims in Canadian dollars on Canadian banks and other depositories.

Change in Official Holdings of Gold and Foreign Exchange

Exchange transactions of the Government of Canada, including the operations of the Exchange Fund Account, led to a substantial outflow of capital as official holdings of gold and foreign exchange were increased during 1958. The increase reversed a substantial decrease in 1957. The net outflow over 1958 amounted to $109 million, following a net inflow or return of capital of $105 million in the previous year. The acquisition by official accounts of gold and United States dollars accounted for $108 million of the movement in 1958 and the acquisition of sterling for $1 million.

In terms of United States dollars, official holdings of gold and United States funds rose from $1,828 million at the end of 1957 to $1,939 million at the end of 1958. They had fallen from $1,936 million to $1,828 million during 1957. Holdings were increased in all but two months of 1958, but the year-end total was nearly $34 million below the month-end record set in July, 1957.

Holdings of sterling are limited to working balances and were of the order of $9 million at the end of 1958.

Other Capital Movements

All other capital movements are estimated to have led to a net capital outflow of $1 million in 1958. Some details of these transactions appear in statement 15 which also shows the substantial inward balances which have resulted from this group of movements in the previous three years. The statement also reveals that the negligible balance in 1958 was the result of diverse but offsetting movements, suggesting a simplicity which could be misleading without examination of the components. The quarterly balances ranged between an inflow of $100 million in the first quarter and an outflow of $157 million in the third. The pattern of inflows over the first half of the year and outflows over the last half, which has been generally characteristic of this group of movements taken as a whole, therefore continued in 1958.

Among the components of the category in 1958 were net inflows of a long-term character totalling $84 million. The largest part of this total represented medium term bank borrowings abroad, although capital transfers by insurance companies and other transactions were also of importance. In the opposite direction was an outflow of $60 million representing the increase in bank balances and other short-term funds held abroad by Canadians (excluding official holdings). This outflow was very much smaller than in either 1956 or 1957; a large growth in holdings occurred over the first three quarters of the year, followed by a reduction in the final quarter.

STATEMENT 15. Composition of "Other Capital Movements", 1950-1958

A minus sign indicates an outflow of capital from Canada

Transaction with all countries	1952	1953	1954	1955	1956	1957	1958[4]	Total 1950-1958[5]
	millions of dollars							
Loans by Government of United Kingdom to a Canadian Corporation	22	20	—	—	—	—	—	67
Canadian subscription to International Finance Corporation	—	—	—	—	- 4	—	—	- 4
Other long-term capital transactions	- 24	- 10	29	49	152	42	84	320
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development and International Monetary Fund[1]	- 1	- 18	-13	- 9	- 17	1	- 1	- 67
Bank balances and other short-term funds abroad (excluding official reserves)[2]	-168	- 79	-75	91[r]	-215[r]	-274	-60	-783
Borrowings by Canadian finance companies	35	19	11	23	64	5	17	174
All other transactions including changes in loans and accounts receivable and payable[3]	-375	-117	20	50[r]	168[r]	321	-41	353
Total (Table 1, item D17)	**-511**	**-185**	**-28**	**204**	**148**	**95**	**- 1**	**60**

[1] Includes also adjustments in Canada's subscriptions occasioned by changes in their value in terms of Canadian dollars (1950-1953 nil; from 1954, +29, -4, -1, +8, -2).
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.
[4] Preliminary estimate.
[5] For annual detail 1950 and 1951 see Statement 15, "The Canadian Balance of International Payments, 1956, and International Investment Position".
[r] Revised.

Canadian finance companies repaid foreign indebtedness in the first half of the year, but borrowed heavily in the last half to increase their net outstanding debt to non-residents by $17 million over the year as a whole. There was a minor decrease of somewhat under $1 million in the short-term Canadian dollar holdings of the International Bank for Reconstruction and Development and the International Monetary Fund (after eliminating adjustments of the capital subscription). All other transactions appear to have led to an outflow of $41 million, the first outflow for any year since 1953. This category reflects the change in net loans and accounts payable. In addition to recorded receivables and payables, it includes the balancing item representing the difference between direct measurements of the revenue and capital accounts.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

It has been widely recognized for some years past that Canada is by far the world's largest importer of private long-term capital. The striking increase of Canada's net external indebtedness, an inevitable result of the important contribution by foreign capital to the recent rapid growth of the Canadian economy, has not been as widely recognized. The implications of this growth for the Canadian balance of payments in the future, and for the general shape and character of Canadian economic and national development have yet to be fully explored.

The most recent estimates of the Canadian balance of international indebtedness are summarized in statements 16 and 16A. Even without taking into account the short-term commercial indebtedness included in the estimates given in statement 16A, for the first time, the net liability is placed at $13 billion at the end of 1958. The growth in this figure over the past five years was greater than the entire net indebtedness accumulated since the beginning of Canadian economic history. If short-term commercial indebtedness is also taken into account, in the last four years Canada's net international indebtedness has almost doubled. In this same period Canada's Gross National Product has risen by about 30 per cent. The increase in Canada's net external indebtedness in four years has been equivalent to $1,500 for the average Canadian family.

Increases in Canada's net external indebtedness normally exceed by a considerable margin the current account deficit reported in Canadian balance of payments statements. The balance of undistributed earnings accruing to non-residents is the largest continuing factor in this difference. In 1958 the growth in net liabilities is tentatively placed at $1.6 billion, while the current account deficit was of the order of $1.1 billion. Among the more important contributing factors other than undistributed earnings was a growth of $0.1 billion in Canada's liabilities arising from appreciation in the Canadian portfolios of United States income accumulating investment funds, whose holdings are recorded at market values, and a decrease of $0.1 billion in the Canadian dollar equivalent of Canada's assets arising from the appreciation of the Canadian dollar vis-a-vis other currencies.

For some years the Canadian economy has been undergoing unprecedented growth through large new investments of capital. And this, of course, has been closely related to the changes in international indebtedness described above. Some capital inflows have been a major influence initiating the expansion, while other types of inflow have followed the high levels of economic activity. In its earlier phases expansion was most concentrated in primary resource industries and in industrial development. Much of this had the effect of expanding the export capacity of the nation. In this period the greatest increases in non-resident investments went into industry and direct investments in foreign-controlled branches and subsidiaries were the most characteristic form, although there were also substantial investments in public issues of the common stock of Canadian companies. In a later phase, and this was characteristic of 1958, high levels of investments continued but showed more concentration in meeting the needs for investments of social capital which followed the more primary investment. This has contributed to a rise in portfolio investment, particularly in provincial and municipal bonds sold outside of Canada. But even though the rate of increase in investments in industry slackened there continued to be a large rise in direct investments in that year which was greater than in any year before 1955.

The principal source of the capital inflows has been the United States and investments owned in that country made up most of the rise and some 77 per cent of total which has been accumulated. At the same time investments from the United Kingdom and other countries have also shown a sharp rise and are now greater in total than ever before.

In 1958 all long-term non-resident investments in Canada had a book value of $19.1 billion, up about 9 per cent from $17.5 billion in 1957, and comparing with rises of 15 per cent and 12 per cent respectively in 1956 and 1957. In the short span of four years there has been a rise of $6.6 billion amounting to over one-half of the value of non-resident investments in Canada in 1954.

With the United States investments the rise in the four years has also been about one-half of the total in 1954. At $14.6 billion in 1958 this total is more than twice the figure for 1951 which in turn reflected a considerable post-war growth up to then, and is not far from three times the figure in 1945.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-1958

Item	1926	1930	1939	1945	1949	1953	1954	1955	1956	1957	1958
	billions of dollars										
Gross liabilities to other countries	6.4	8.0	7.4	7.6	8.9	12.6	13.7	14.8	17.0	18.9	20.7
Gross external assets	1.3	1.5	1.9	3.8	5.2	6.6	6.9	7.0	7.2	7.6	7.7
Net indebtedness	**5.1**	**6.5**	**5.5**	**3.9**	**3.7**	**6.0**	**6.8**	**7.8**	**9.7**	**11.3**	**13.0**

Note: For details see Table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 16A. Canada's Balance of International Indebtedness, Selected Year Ends, 1945-1958

New comprehensive estimate including short-term commercial indebtedness

Item	1945	1949	1953	1954	1955	1956	1957	1958
	billions of dollars							
Gross liabilities to other countries	8.0	9.3	12.9	14.1	15.3	17.7	19.9	21.7
Gross external assets	4.0	5.5	6.9	7.2	7.4	7.7	8.1	8.2
Net indebtedness	**4.0**	**3.8**	**6.0**	**6.8**	**7.9**	**10.0**	**11.9**	**13.5**

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-1958

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1956	1957	1958[2]
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,278	11,802	13,279	14,600
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	2,668	2,916	3,100
Other countries	14	178	177	170	188	286	352	842	1,107	1,287	1,400
Total book value	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,476**	**15,577**	**17,482**	**19,100**

[1] Privately estimated; for sources see Table XIII.
[2] Provisional estimate subject to revision.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-1958

Classification	1926	1930	1945	1949	1953	1954	1955	1956	1957	1958[2]
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	5,206	5,787	6,516	7,394	8,476	9,200
Government and municipal bonds	909	1,205	1,450	1,534	1,870	1,822	1,639	1,871	2,059	2,373
Other portfolio investments	799	1,368	1,106	1,107	1,537	1,651	1,586	1,814	2,000	2,167
Income accumulating investment funds	—	—	—	—	—	102	170	249	255	345
Miscellaneous investments	85	94	130	170	257[1]	302	367	474	489	515
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**8,870**	**9,664**	**10,278**	**11,802**	**13,279**	**14,600**

[1] New series not strictly comparable with earlier years.
[2] Provisional estimate subject to revision.

The great rise throughout this period has been in direct investments in Canadian industry with the total of direct investments of $9.2 billion in 1958 comparing with $2.3 billion in 1945. In the same period portfolio investments have risen to $5.4 billion from $2.7 billion.

British investments in Canada of $3.1 billion in 1958 are somewhat greater than the peak level of that group of investments before the wartime repatriations. This has been due to an almost fourfold rise in British direct investments in Canada in the post-war period, although portfolio investments in recent years have also shown a marked increase. The rise in British direct investments in the last three years has shown a broadening out in the nature of investments with some large new units in more primary industries than used to be the case.

Investments in Canada owned in countries other than the United States and the United Kingdom rose to $1.4 billion in 1958. This group of investments has been rising rapidly in the 1950's and has doubled in the last four years. While direct investments have shown the most rapid growth, there has been a large rise in portfolio investments owned in these countries as well. The countries owning most of this group of investments are chiefly in Western Europe.

Canadian long-term external investments have also been rising, although the rates of growth have been more moderate in recent years than in the case of long-term non-resident owned investments in Canada. Excluding Canada's subscriptions to the capital of international financial institutions, against which there are substantial short-term liabilities, Canadian long-term external assets are placed at $4.6 billion at the end of 1958. There was, on balance, no significant change in 1958 and the total increased 2 per cent in 1956 and 4 per cent in 1957. The growth of less than 10 per cent since the end of 1954 is in sharp contrast with the growth of more than half already cited for long-term non-resident owned investments in Canada.

Nearly one-third of Canadian long-term investments abroad are in the form of Government of Canada loans and advances which are being reduced by annual principal repayments. If these intergovernmental loans are excluded, other Canadian long-term assets abroad have grown by about one-quarter since the end of 1954.

It should be borne in mind, moreover, that there is a substantial beneficial ownership by non-residents in Canadian investment abroad, and that it has been a rising proportion of the total. The following section of this report deals with this subject. It reveals that at the end of 1957 some $0.8 billion or 40 per cent of Canadian direct investment abroad, equivalent to more than a quarter of all private Canadian long-term investments abroad, was owned indirectly by non-residents.

STATEMENT 19. Non-resident Equity and Control of Canadian Direct Investments Abroad, End of 1954 and 1957

Item	End of 1954		End of 1957	
	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity				
United States residents	486	30	685	33
United Kingdom residents	85	5	85	4
Other non-residents	35	2	64	3
Sub-total: non-residents	606	37	834	40
Canadian residents	1,022	63	1,244	60
Total	**1,628**	**100**	**2,078**	**100**
Control				
United States controlled Canadian companies	425	26	691	33
Other foreign controlled Canadian companies	21	1	29	2
Sub-total: foreign control	**446**	**27**	**720**	**35**
Canadian controlled companies and resident Canadian individuals	1,182	73	1,358	65
Total	**1,628**	**100**	**2,078**	**100**

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

Equity of Non-Residents in Canadian Assets Abroad

Non-residents of Canada have a substantial equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.[1] This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in statement 19. The total capital at the disposition of Canadian direct investment companies abroad would be larger than is indicated by the total value of Canadian direct investments abroad which reflect only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

Total direct investments abroad of Canadian companies are more relevant for many purposes than the Canadian equity. For example, it is the total capital movements and the income arising from these investments that are significant for the Canadian balance of payments. Effect on the balance of payments is one criterion for inclusion of investments abroad of Canadian companies in special situations. There are instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian direct investments abroad on the grounds that their international transactions are not of relevance to the Canadian balance of payments.

Foreign Ownership and Control of Canadian Industry

The estimates appearing in tables XII to XVI bring forward to 1956 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce. Later data are not yet available on the Canadian-owned portion of the investments.

The sharp increase in the rate of business fixed capital formation which occurred in 1956 was accompanied by increased non-resident ownership and control.

The non-resident-owned proportion of the manufacturing, mining, utilities and merchandising industries, taken as a group, rose to 34 per cent, an increase of two percentage points over the 32 per cent which had remained relatively unchanged since 1948. In the two year period between the end of 1954, when estimates for the petroleum and natural gas industry as a whole first became available, and the end of 1956, the proportions of this industry owned by non-residents rose from 60 per cent to 65 per cent. The proportions of manufacturing, and of mining and smelting, excluding in each case components of the petroleum and natural gas industry, each rose by one percentage point, to 48 per cent and 54 per cent respectively. On the other hand non-resident ownership of Canadian railways fell two percentage points to 33 per cent and the much smaller proportions of other utilities and of merchandising estimated to have been owned by non-residents remained unchanged.

This pattern has been broadly characteristic of the change over the thirty years now covered by comparable estimates. Proportions of Canadian manufacturing, petroleum and natural gas, and mining and smelting owned by non-residents have been increasing, but non-resident ownership of utilities has been declining relative to resident ownership. The substantial growth in government-owned hydro-electric installations and railways has contributed to the increased Canadian ownership, which in turn has been the principal factor in reducing the non-resident ownership of Canadian industry and commerce generally from 37 per cent in 1926 to 34 per cent in 1956. It should be borne in mind, however, that non-resident ownership is now more highly concentrated in the dynamic growth sectors of the economy than ever before.

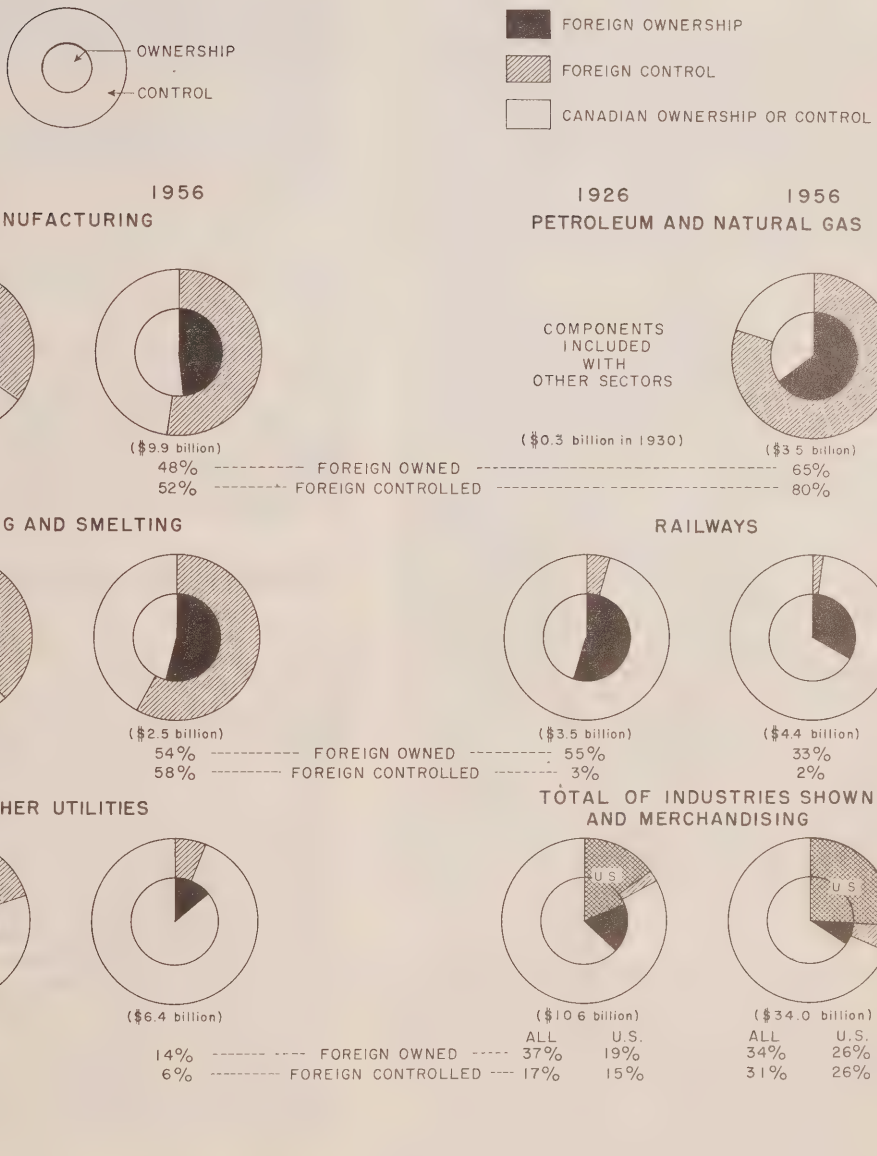
During 1956 the proportion of Canadian industry and commerce represented by companies controlled by non-residents also rose. For manufacturing, mining, utilities, and merchandising, taken as a whole, the non-resident-controlled proportion inched up a further percentage point in 1956 to 31 per cent at the year end. This compared with 25 per cent in 1948. In the two year period since the end of 1954 non-resident control of the petroleum and natural gas industry as a whole rose from 69 per cent to 80 per cent. For other mining and for other manufacturing the non-resident-controlled proportions rose respectively from 51 per cent to 58 per cent, and from 51 per cent to 52 per cent. Non-resident control of railways remained unchanged at 2 per cent and non-resident control of other utilities fell from 8 per cent to 6 per cent. Here, again, the pattern was characteristic of the development over the preceding thirty years, with significant growths of non-resident control in the manufacturing, petroleum and natural gas, and mining and smelting industries, and decreasing non-resident control in the utilities sector.

These developments are highlighted in the chart which compares ownership and control in 1926 and 1956.

Other facets of non-resident ownership and control which should be mentioned in any review of long-run developments include the increased dependence on the United States as a source of investment capital. Again taking the group manufacturing, petroleum and natural gas, mining and smelting, utilities and merchandising, ownership in 1926 was 63 per cent Canadian, 19 per cent by residents of the United States, and 18 per cent by residents of overseas countries. Thirty years later Canadian ownership accounted for 66 per cent, United States

[1] For a description of the statistical technique followed to derive estimates of foreign investment in Canada see *Canada's International Investment Position 1926-1954*, page 67.

OWNERSHIP AND CONTROL OF SELECTED CANADIAN INDUSTRIES, 1926 AND 1956



ownership for 26 per cent, and ownership by residents of overseas countries for 8 per cent. Over the full thirty years the most rapid growth in the investments was in the group owned by residents of the United States. The trend was even more pronounced in the distribution of these investments by country of control. In 1926 the industries were 83 per cent Canadian-controlled, 15 per cent United States-controlled, and 2 per cent controlled by residents of other countries. By 1956 the Canadian-controlled proportion had fallen to 69 per cent, and the proportions controlled by residents of the United States and of overseas countries had risen respectively to 26 per cent and 5 per cent. The growth in the underlying equity investments owned by non-residents which gave rise to these shifts in control has been one of the more significant features of the development of foreign investment in Canada. It has important implications for the ultimate cost to Canada of the investments and for the possibility of repatriation with the growth of Canadian savings.

These percentages of foreign ownership and control of selected Canadian industry are given in tables XII and XIV. The book value estimates on which they are based appear on table XVI, and here the non-resident contribution is again strikingly revealed. The book value of the manufacturing industry, including petroleum refining, is estimated to have doubled between 1948 and 1956. Non-resident ownership accounted for $3.4 billion of the growth, compared with the $2.3 billion represented by Canadian ownership. Non-resident-controlled manufacturing rose even more by $4.0 billion, with resident controlled manufacturing rising by $1.7 billion. For all mining and smelting, including petroleum and natural gas exploration and development, the book value rose from $1.1 billion in 1948 to $3.9 billion in 1956. Non-resident ownership and control accounted respectively for $1.9 billion and $2.1 billion of the growth, with resident ownership and control accounting respectively for $0.9 billion and $0.7 billion. Thus in manufacturing about 60 per cent of the growth over the eight years occurred in non-resident-owned investment, and about 70 per cent in non-resident-controlled investment. In mining and smelting about two-thirds of the growth was non-resident owned and three-quarters non-resident-controlled. These were of course the more dynamic sectors of the economy where non-resident activity was concentrated. In manufacturing, petroleum and natural gas, mining and smelting, utilities, merchandising and construction, as a whole, the book value of investment rose from $16.0 billion in 1948 to $34.0 billion in 1956. Non-resident-owned investments contributed $6.3 billion or somewhat more than one-third of the growth, while resident-owned investment contributed the balance of $11.7 billion or somewhat less than two-thirds. Non-resident-controlled investments accounted for $6.6 billion of the growth compared with $11.4 billion for resident-controlled investments.

It should again be emphasized that these comparisons relate only to selected Canadian industries, and that there are other broad areas of national wealth including, for example, agriculture and social capital, in which non-resident ownership and control is relatively insignificant. The financial book value series which appear in this report include land, inventories, and financial working capital in addition to capital expended on construction, machinery and equipment; for this reason and because of varying methods of reflecting capital consumption and changes in price levels, they are not directly comparable with other estimates of capital formation and of the stock of capital. As some indication of the magnitude of national wealth falling outside the areas encompassed within this report, it is of interest to note that the net stock of social capital (government, housing and institutions) has been estimated as being not greatly smaller than the net stock of industrial capital (including agriculture).[1] And there are still other important areas of Canadian wealth such as Canada's external investments, not to mention the significant savings represented by ownership of automobiles and other durables, non-industrial land and such intangible social investment as education.

More detailed industry data for the ownership and control of Canadian industry appear in table XV which covers most of the commodity-producing industries other than agriculture. In particular the figures show the marked variation in the degree of non-resident ownership and control in various types of manufacturing.[2] It should be emphasized that book value series are based on corporate classifications, and that consequently the entire investment in Canada of the corporation and its subsidiaries is normally attributed to its principal activity. In the case of some of the industrial sub-divisions shown this could have significant effects.

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches to the question which may be of general interest have been adopted. The first is an attempt to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and

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[1] Wm. C. Hood and Anthony Scott, *Output, Labour and Capital in the Canadian Economy* (A Study for the Royal Commission on Canada's Economic Prospects), pp. 450-451.

[2] It may be noted that a substantial non-resident interest has been acquired since 1956 in the primary steel industry which was previously overwhelmingly owned and controlled by Canadians.

net investment. The significance of the latter comparison lies partly in the fact that new financing from abroad is normally for additions to the stock of capital rather than for replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of "Canada's International Investment Position 1926-1954".

A. **Use of Foreign Resources**

1 { *Current account deficit* (net), adjusted for *retained earnings* of foreign direct investments in Canada and Canadian direct investments abroad, plus *capital consumption allowances* and *depletion* on foreign direct investments in Canada

Total private and public investment in Canada, plus value of physical change in inventories

2 { As in A1 but excluding capital consumption allowances

As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments

B. **Direct Foreign Financing of Investment**

1 { *Direct investment* in Canada, plus *retained earnings* on foreign direct investments, *new issues* of Canadian securities sold to non-residents,[1] other *long-term financing*, changes in *accounts payable*, and *capital consumption allowances* and *depletion* on foreign direct investments in Canada

Total private and public domestic investment in Canada, plus value of physical change in inventories

2 { As in B1 but excluding capital consumption allowances

As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments

The results of these measurements are portrayed in the charts and summarized in statement 20. These show the substantially increased importance of non-resident investment in Canada in the 1950's to date. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. And for the years 1956 to 1958 during which tremendous capital formation occurred, these ratios rose to more than one-third and more than two-fifths respectively. The two measures have special meaning. From 1956 to 1958 Canadian sources of savings were sufficiently large to finance nearly two-thirds of net capital formation (as reflected in measure A2), but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings directly financed a smaller part of net capital formation in Canada, with non-residents directly financing the balance of about 44 per cent as shown in measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to nearly one-quarter of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

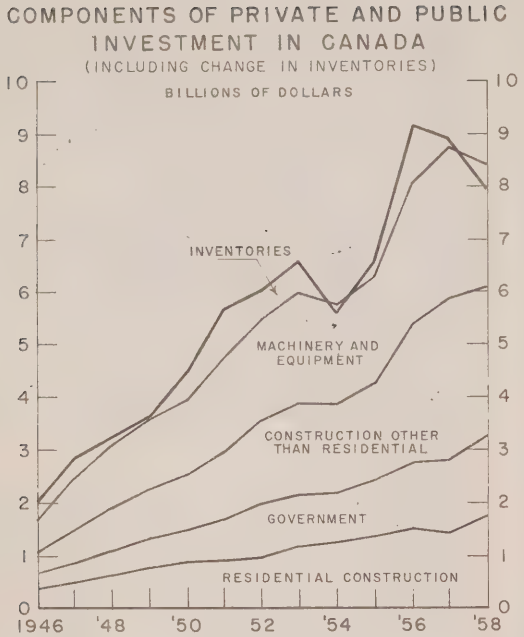
When interpreting the ratios developed in this section of this report, it should be borne in mind that they cover the whole field of private and public capital formation. The chart showing the individual components will serve to remind readers of the large elements of housing and other social capital in the financing of which foreign capital plays only a minor role. The investment series elsewhere in this report relate foreign ownership and control to the specific sectors in which it plays a particularly significant part.

A potent force underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources. But detailed study of the structure of industry and of the capital market and its relationship to the mobilization and direction of domestic savings all lie beyond the field of this report.

Number of Concerns

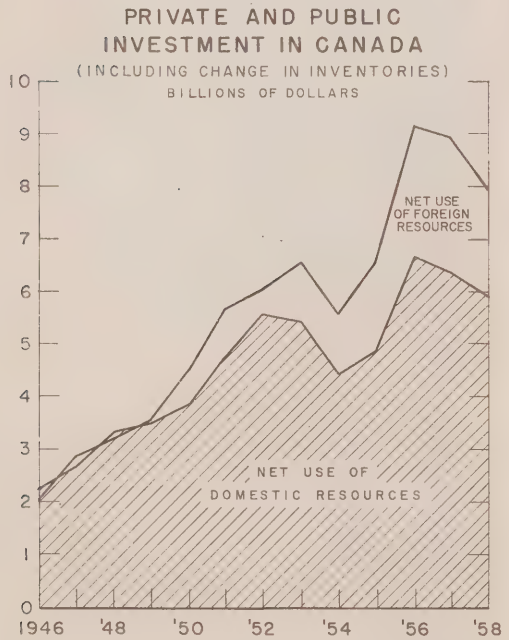
Table XI again shows the number of Canadian concerns controlled abroad, which rose to over 6,000 by the end of 1957. The increase during the year was 545. As will be seen in statement 21 the Bureau's records covered about 8,500 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1957. The total number of Canadian corporations of all sorts at the beginning of that year was about 86,100. Statement 21 also shows the great corporate activity in the field of foreign investment in 1957.

[1] Other than government borrowing of $150 million in 1948 which served to replenish official holdings of exchange.



STATEMENT 20. Foreign Financing of all Canadian Investment, 1946-1958

Measure	1946-1949	1950-1955	1956-1958
	percentages		
A Use of foreign resources as a percentage of:			
1 gross capital formation....	—	17	27
2 net capital formation	-11	19	35
B Direct foreign financing of:			
1 gross capital formation....	19	25	32
2 net capital formation	24	33	44





STATEMENT 21. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1957

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
Number at beginning of year	4,043	1,019	398	5,460	2,156	7,616
Add						
New concerns with foreign capital	+ 380	+ 70	+ 44	+ 494	+ 121	+ 615
Transfers of control	+ 27	+ 17	+ 7	+ 51	+ 34	+ 85
Subtract						
Transfers of control	− 27	− 8	− 8	− 43	− 42	− 85
Concerns now wholly-owned by Canadians	− 14	− 6	− 4	− 24	− 27	− 51
Concerns liquidated, merged, etc.	− 130	− 26	− 13	− 169	− 40	− 209
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 170	+ 55	+ 11	+ 236	+ 82	+ 318
Number at end of year (Table XI)	4,449	1,121	435	6,005	2,284	8,289

Note: These numbers exclude more than 200 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

Ownership of Canadian Funded Debt

The estimated geographical distribution of the ownership of the outstanding long-term funded debt of Canadian governments and corporations at the end of 1958 is given in statement 22. Canadian long-term funded debt outstanding increased more than 10 per cent during 1958 from $27.9 billion to a total of $30.8 billion. At the end of 1958, government and municipal bonds accounted for $22.1 billion, or 72 per cent, more than 60 per cent of which, or $13.9 billion, was in the form of the Government of Canada issues. The total of railway and other corporation bonds amounted to $8.7 billion, or 28 per cent of the total bonds and debentures outstanding.

STATEMENT 22. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt, End of 1958

Debtor	Amounts outstanding	Distribution of ownership				Percentage distribution of ownership			
		Canada	United States	United Kingdom	Other countries	Canada	United States	United Kingdom	Other countries
	millions of dollars					per cent			
Government of Canada, direct and guaranteed, excluding railways, treasury bills and notes	13,914	13,350	396	65	103	96	3	–	1
Provincial direct and guaranteed, excluding railways	5,022	3,746	1,207	47	22	75	24	1	–
Municipal	3,191	2,380	770	34	7	75	24	1	–
Sub-total Government bonds	**22,127**	**19,476**	**2,373**	**146**	**132**	**88**	**11**	**1**	**–**
Railways	1,729	1,245	165	292	27	72	9	17	2
Other corporations	6,953	4,791	1,848	207	107	69	27	3	1
Sub-total railways and corporation bonds	**8,682**	**6,036**	**2,013**	**499**	**134**	**70**	**23**	**6**	**1**
Total bonds and debentures	**30,809**	**25,512**	**4,386**	**645**	**266**	**83**	**14**	**2**	**1**

Interesting perspective on the financing of funded debt under varying economic conditions may be gained from a study of statement 23, which shows the changes in the ownership of the outstanding long-term funded debt of various classes of Canadian borrowers, divided between Canadian and non-resident lenders, for the period 1955 to 1958.

STATEMENT 23. Changes in Ownership of Canadian Long-Term Funded Debt, 1955-1958

Debtor	Change in amounts outstanding				Change in amounts outstanding owned in							
					Canada				Other countries			
	1955	1956	1957	1958	1955	1956	1957	1958	1955	1956	1957	1958
	millions of dollars											
Government of Canada, direct and guaranteed, excluding railways, treasury bills and notes	+ 425	− 519	− 57	+1,085	+ 555	−492	− 56	+1,022	−130	− 27	− 1	+ 63
Provincial, direct and guaranteed, excluding railways	+ 212	+ 466	+ 384	+ 533	+ 288	+273	+ 300	+ 422	− 76	+193	+ 84	+111
Municipal	+ 248	+ 288	+ 323	+ 370	+ 230	+188	+ 216	+ 217	+ 18	+100	+107	+153
Railways	− 83	− 73	− 36	+ 351	− 17	− 39	− 12	+ 347	− 66	− 34	− 24	+ 4
Other corporations	+ 456	+ 716	+1,213	+ 600	+ 392	+442	+ 752	+ 399	+ 64	+274	+461	+201
Sub-total provincial, municipal, railways and other corporations	+ 833	+1,397	+1,884	+1,854	+ 893	+864	+1,256	+1,385	− 60	+533	+628	+469
Total bonds and debentures	**+1,258**	**+ 878**	**+1,827**	**+2,939**	**+1,448**	**+372**	**+1,200**	**+2,407**	**−190**	**+506**	**+627**	**+532**

Note: Corresponding data for 1953 and 1954 will be found in Statement 23, "The Canadian Balance of International Payments, 1956, and International Investment Position".

Following declines in each of the two preceding years, the total of the Government of Canada bonds outstanding increased by $1,085 million in 1958, and that of railway bonds by $351 million. In contrast, the increase in other corporation bonds abated somewhat during the year, following sharp rises during the period of high investment in resource development in 1956 and 1957. The moderation in the rate of increase in 1958 was concomitant with the reduced business investment in new fixed assets during the year.

The preponderant part of the growth of Government of Canada and railway funded debt, over 95 per cent, was acquired, on balance, by Canadians while non-resident acquisitions accounted for about 30 per cent of the increase in other categories. By the end of 1958, Canadians held 96 per cent of the Government of Canada bonds, 75 per cent each of the provincial and municipal bonds, 70 per cent of railway and corporation bonds, and 83 per cent of total bonds and debentures. In 1936 when the total outstanding long-term debt was one-third of its present level, Canadians held between 70 and 75 per cent of the debt of each level of government and about 48 per cent of the railway and corporate debt, some 65 per cent of the overall total.

But along with these broad movements in aggregate debt there has been the very high rate of increase in non-resident holdings of Canadian bonds in the 1950's. In recent years non-resident holdings have risen at a higher rate than the rate of increase in the total funded debt. The total amount of issues held outside of Canada has risen from $4,138 million in 1956 to $4,765 million in 1957 and $5,297 million in 1958. A decade earlier in 1948 non-resident holdings were down to $2,924 million. In the pre war years the total had been as high as $3,983 million in 1933 but subsequent refinancing of debt in Canada and wartime repatriations led to the lower levels of the early post-war years. The sharpest increases have come in the 1950's with the resumption of borrowing through sales of new issues abroad. Some recent effects of the rises in debt held abroad are discussed in the note on the income account.

Statement 24 provides a detailed classification of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954 and 1957. During this period, foreign-owned Canadian funded debt payable optionally or solely in foreign currencies rose from $2,818 million to $3,506 million, or from 11.8 per cent to 12.6 per cent of the total outstanding debt Most of this growth was ascribable to increased holdings by investors resident in the United States, of corporate (other than railway) bonds and of provincial and municipal government bonds. The largest rises took place in the issues payable in foreign currencies.

The relatively insignificant growth of $2 million which occurred in 1957 in United States holdings of Government of Canada direct issues, and the larger growth of $54 million in the following year, brought to an end an extended period of repatriation. From a peak of $1,009 million at the end of 1950, holdings were reduced each year during the next six years to $340 million at the end of 1956. In 1950 the holdings by United States residents included $357 million of issues payable in United States funds and $652 million of issues payable in Canadian funds. The reduction of holdings to $515 million at the end of 1954 reflected repatriation of $107 million of United States-pay debt and $387 million of Canadian-pay debt. In contrast further repatriation of $173 million of United States holdings over the following three years was made up of $139 million of United States-pay issues and of only $34 million of Canadian-pay issues.

STATEMENT 24. Estimated Distribution of Ownership of Canadian Long-Term Funded Debt Classification by Currency of Payment, End of 1954 and 1957

Debtor and Currency	Amounts Outstanding		Distribution of Ownership							
			Canada		United States[1]		United Kingdom		Other countries	
	1954	1957	1954	1957	1954	1957	1954	1957	1954	1957
	millions of dollars									
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only[2]	12,570	12,487	12,214	12,139	265	231	22	25	69	92
Payable in foreign currencies only	401	342	106	189	242	111	49	39	4	3
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-total	**12,980**	**12,829**	**12,321**	**12,328**	**515**	**342**	**71**	**64**	**73**	**95**
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,523	3,445	2,436	3,309	45	74	30	43	12	19
Payable in foreign currencies only	512	812	1	—	510	812	1	—	—	—
Payable optionally in Canadian or foreign currencies	392	232	26	15	359	213	7	4	—	—
Sub-total	**3,427**	**4,489**	**2,463**	**3,324**	**914**	**1,099**	**38**	**47**	**12**	**19**
Municipal:										
Payable in Canadian dollars only	1,591	2,251	1,489	2,137	72	80	26	29	4	5
Payable in foreign currencies only	284	501	13	3	267	493	3	4	1	1
Payable optionally in Canadian or foreign currencies	87	69	27	23	54	45	6	1	—	—
Sub-total	**1,962**	**2,821**	**1,529**	**2,163**	**393**	**618**	**35**	**34**	**5**	**6**
Railways:										
Payable in Canadian dollars only	895	887	850	862	30	7	7	9	8	9
Payable in foreign currencies only	422	438	—	1	133	157	287	278	2	2
Payable optionally in Canadian or foreign currencies	253	53	116	35	111	2	4	3	22	13
Sub-total	**1,570**	**1,378**	**966**	**898**	**274**	**166**	**298**	**290**	**32**	**24**
Other corporations:										
Payable in Canadian dollars only	3,193	4,957	2,779	4,321	249	371	142	186	23	79
Payable in foreign currencies only	689	1,241	9	33	664	1,180	11	12	5	16
Payable optionally in Canadian or foreign currencies	86	155	18	38	68	114	—	2	—	1
Sub-total	**3,968**	**6,353**	**2,806**	**4,392**	**981**[3]	**1,665**[3]	**153**	**200**	**28**	**96**
Total bonds and debentures:										
Payable in Canadian dollars only	20,772	24,027	19,768	22,768	661	763	227	292	116	204
Payable in foreign currencies only	2,308	3,334	129	226	1,816	2,753	351	333	12	22
Payable optionally in Canadian or foreign currencies	827	509	188	111	600	374	17	10	22	14
Total	**23,907**	**27,870**	**20,085**	**23,105**	**3,077**	**3,890**	**595**	**635**	**150**	**240**

	1954	1957
[1] Including bonds held by United States life insurance companies (aside from business in Canada):		
Government of Canada, direct and guaranteed excluding railways	144	54
Provincial, direct and guaranteed excluding railways	267	233
Municipal	219	281
Railways Other corporations	687	781
Total	**1,317**	**1,387**
[2] Excluding treasury bills and notes	1,530	1,625
[3] Including corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	7	4
Payable in foreign currencies only	142	162
Payable optionally in Canadian or foreign currencies	39	39
Total	**188**	**205**

Miscellaneous Investments

Statement 25 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. These investments include real estate, mortgage, and other assets held or administered for non-residents by trustees, agents, or nominees, private investment companies, etc. Their measurement is necessarily not as precise as the direct ownership of Canadian concerns and securities by non-residents.

It should be pointed out that many other non-resident holdings of the types of assets shown in this statement are covered, although not similarly classified, in other categories of non-resident-owned investments shown in tables VIII and IX. Mortgage debt of Canadian companies which is held directly by non-resident investors appears, for example, among "other corporation assets" in table VIII. Large amounts of real estate are owned by Canadian companies classified by industrial function in table IX, the companies formed specifically for the holding of real estate or mortgages being grouped with financial institutions. A part of the unclassified Canadian securities component of statement 25 also reflects investment in real estate holding companies.

STATEMENT 25. Detail of Foreign Investment in "Miscellaneous Investments[1]" Category End of 1952-1957

Type	End of:						Country of ownership 1957		
	1952	1953	1954	1955	1956	1957	United States	United Kingdom	Other countries
	millions of dollars								
Canadian securities	225	243	302	313	413	479	136	153	190
Mortgages on Canadian real estate	77	76	109	168	250	255	248	4	3
Real estate in Canada	120	118	115	120	125	115	90	12	13
Other investments	25	30	35	40	30	30	15	8	7
Totals as in Tables VIII and IX	**447**	**467**	**561**	**641**	**818**	**879**	**489**	**177**	**213**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1957 and 1958

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
		1957	1958[1]	1957	1958[1]	1957	1958[1]	1957	1958[1]	1957	1958[1]	1957	1958[1]
		millions of dollars											
	Current receipts:												
1	Merchandise exports (adjusted)	4,909	4,890	2,931	2,909	749	768	246	299	502	522	481	392
2	Mutual Aid to NATO countries	107	142	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	147	160	147	160	—	—	—	—	—	—	—	—
4	Travel expenditures	363	349	325	309	18	18	5	6	10	11	5	5
5	Interest and dividends	154	166	95	98	10	33	22	12	12	13	15	10
6	Freight and shipping	445	401	222	206	95	84	27	24	54	46	47	41
7	Inheritances and immigrants' funds	124	91	47	48	40	17	8	7	22	14	7	5
11	All other current receipts	388	366	299	275	45	43	8	7	22	27	14	14
12	**Total current receipts**	**6,637**	**6,565**	**4,066**	**4,005**	**957**	**963**	**316**	**355**	**622**	**633**	**569**	**467**
	Current payments:												
1	Merchandise imports (adjusted)	5,488	5,060	3,878	3,437	520	538	239	212	286	301	565	572
4	Travel expenditures	525	542	403	413	47	52	11	11	48	52	16	14
5	Interest and dividends	587	586	478	479	78	76	1	1	28	28	2	2
6	Freight and shipping	515	460	351	294	69	70	2	3	80	79	13	14
7	Inheritances and emigrants' funds	157	145	124	104	20	26	2	2	10	11	1	2
9	Official contributions	37	50	—	—	—	—	35	46	1	1	1	3
10	Mutual Aid to NATO countries	107	142	..	..	..	..	..	..	..	..	..	..
11	All other current payments	645	665	400	412	85	93	17	15	111	115	32	30
12	**Total current payments**	**8,061**	**7,650**	**5,634**	**5,139**	**819**	**855**	**307**	**290**	**564**	**587**	**630**	**637**
	Balance on merchandise trade	− 579	− 170	− 947	− 528	+ 229	+ 230	+ 7	+ 87	+ 216	+ 221	− 84	− 180
	Balance on other transactions, excluding B9	− 808	− 865	− 621	− 606	− 91	− 122	+ 37	+ 24	− 157	− 174	+ 24	+ 13
	Official contributions	− 37	− 50	—	—	—	—	− 35	− 46	− 1	− 1	− 1	− 3
	Current account balance	**− 1,424**	**− 1,085**	**− 1,568**	**− 1,134**	**+ 138**	**+ 108**	**+ 9**	**+ 65**	**+ 58**	**+ 46**	**− 61**	**− 170**
	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 514	+ 450	+ 390	+ 331	+ 65	+ 89	+ 3	+ 6	+ 56	+ 25	—	− 1
2	Direct investment abroad	− 68	− 20	− 35	+ 6	+ 4	− 5	− 15	+ 9	− 3	− 7	− 19	− 23
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	− 45	—	− 70	− 10	—	+ 3	—	—	+ 30	+ 17	− 5	− 10
3b	Trade in outstanding common and preference stocks	+ 137	+ 84	+ 5	+ 66	+ 87	+ 4	—	—	+ 45	+ 14	—	—
4	New issues	+ 798	+ 695	+ 722	+ 618	+ 59	+ 41	—	—	+ 16	+ 26	+ 1	+ 10
5	Retirements	− 133	− 156	− 105	− 131	− 21	− 15	—	—	− 7	− 10	—	—
	Foreign securities:												
6	Trade in outstanding issues	+ 24	+ 16	+ 20	+ 14	+ 2	+ 2	—	—	+ 2	—	—	—
7	New issues	− 24	− 17	− 15	− 13	—	—	—	—	− 5	—	− 4	− 4
8	Retirements	+ 6	+ 7	+ 4	+ 4	—	+ 1	—	—	—	—	+ 2	+ 2
	Loans by Government of Canada:												
9	Drawings	—	− 34	—	—	—	—	—	− 34	—	—	—	—
10	Repayment of post-war loans	+ 20	+ 34	—	—	—	+ 16	—	—	+ 18	+ 18	+ 2	—
11	Repayment of war loans	+ 30	+ 30	—	—	+ 30	+ 30	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	− 35	+ 106	− 10	+ 83	− 18	+ 4	− 2	+ 5	− 3	+ 4	− 2	+ 10
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	+ 105	− 109	+ 104	− 108	+ 1	− 1	—	—	—	—	—	—
17	Other capital movements	+ 95	− 1	+ 27	+ 14	+ 35	+ 19	− 2	− 7	+ 27	− 22	+ 8	− 5
	Net capital movement	**+ 1,424**	**+ 1,085**	**+ 1,037**	**+ 874**	**+ 244**	**+ 188**	**− 16**	**− 21**	**+ 176**	**+ 65**	**− 17**	**− 21**
	Balance settled by exchange transfers	**—**	**—**	**+ 531**	**+ 260**	**− 382**	**− 296**	**+ 7**	**− 44**	**− 234**	**− 111**	**+ 78**	**+ 191**
	Total financing of current account balance (item C)	**+ 1,424**	**+ 1,085**	**+ 1,568**	**+ 1,134**	**− 138**	**− 108**	**− 9**	**− 65**	**− 58**	**− 46**	**+ 61**	**+ 170**

[1] Subject to revision.
.. Not available.
es: Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other EC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area: ely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey. The All er Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IBRD, IFC and IMF and all r countries not specified above.
B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.
A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom and with other overseas countries under the United States.
Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1958

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958[1]
		millions of dollars												
A	**Current receipts:**													
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,909	4,89
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	14
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	16
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	34
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	16
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	40
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	9
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	36
12	**Total current receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,072**	**6,621**	**6,637**	**6,56**
B	**Current payments:**													
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,06
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	54
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	587	58
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	46
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	14
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	37	5
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	14
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	645	66
12	**Total current payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,770**	**7,987**	**8,061**	**7,65**
	Balance on merchandise trade	+ 571	+ 188	+ 432	+ 293	+ 10	− 147	+ 489	− 58	+ 13	− 211	− 728	− 579	− 17
	Balance on other transactions, excluding B9	− 111	− 101	+ 42	− 110	− 339	− 361	− 309	− 360	− 434	− 463	− 608	− 808	− 86
	Official contributions	− 97	− 38	− 23	− 6	− 5	− 9	− 16	− 25	− 11	− 24	− 30	− 37	− 5
C	**Current account balance**	**+ 363**	**+ 49**	**+ 451**	**+ 177**	**− 334**	**− 517**	**+ 164**	**− 443**	**− 432**	**− 698**	**−1,366**	**−1,424**	**−1,08**
D	**Capital account:**													
	Direct investment:													
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 417	+ 583	+ 514	+ 45
2	Direct investment abroad	− 14	+ 6	+ 15	+ 13	+ 36	− 20	− 77	− 63	− 81	− 74	− 104	− 68	− 2
	Canadian securities:													
3a	Trade in outstanding bonds and debentures	+ 194	− 13	+ 3	+ 8	+ 329	+ 38	− 166	− 52	− 66	− 165	+ 11	− 45	−
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+ 129	+ 138	+ 188	+ 137	+ 8
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166	+ 667	+ 798	+ 69
5	Retirements	− 539	− 364	− 114	− 147	− 284	− 184	− 89	− 146	− 203	− 184	− 141	− 133	− 15
	Foreign securities:													
6	Trade in outstanding issues	+ 25	+ 1	− 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 24	+ 1
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 20	− 23	− 33	− 48	− 18	− 24	− 1
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	—	+ 6	+
	Loans by Government of Canada:													
9	Drawings	− 750	− 565	− 142	− 120	− 50	—	—	—	—	—	—	—	− 3
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 20	+ 3
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 3
14	Change in Canadian dollar holdings of foreigners	+ 70	− 26	− 21	+ 40	+ 233	− 192	− 66	− 18	+ 34	+ 89	− 24	− 35	+ 10
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	− 492	− 128	− 722	− 56	− 37	+ 38	− 124	+ 44	− 33	+ 105	− 10
17	Other capital movements	+ 23	− 101	+ 7	− 80	+ 210	+ 128	− 511	− 185	− 28	+ 204	+ 148	+ 95	−
F	**Net capital movement**	**− 363**	**− 49**	**− 451**	**− 177**	**+ 334**	**+ 517**	**− 164**	**+ 443**	**+ 432**	**+ 698**	**+1,366**	**+1,424**	**+1,08**

[1] Subject to revision.

Notes:
AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.
D17 Includes for years 1946 to 1950 transactions shown separately under items D 12, 13, and 15 in "The Canadian Balance of International Payments in th Post-War Years, 1946-1952".
A—G For other notes applicable to this table see notes to Table I.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-1958 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958[1]
		millions of dollars												
	Current receipts:													
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931	2,909
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	98
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	222	206
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	48
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	299	275
12	**Total current receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**4,015**	**4,066**	**4,005**
	Current payments:													
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878	3,437
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	478	479
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	400	412
12	**Total current payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,654**	**5,634**	**5,139**
	Balance on merchandise trade	− 430	− 890	− 289	− 378	− 47	− 516	− 471	− 588	− 445	− 685	−1,167	− 947	− 528
	Balance on other transactions	− 177	− 244	− 104	− 223	− 353	− 435	− 378	− 316	− 362	− 350	− 472	− 621	− 606
	Current account balance	**− 607**	**−1,134**	**− 393**	**− 601**	**− 400**	**− 951**	**− 849**	**− 904**	**− 807**	**−1,035**	**−1,639**	**−1,568**	**−1,134**
	Capital account:													
	Direct investment:													
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306	+ 406	+ 390	+ 331
2	Direct investment abroad	− 7	+ 6	+ 15	+ 16	+ 41	− 4	− 42	− 33	− 46	− 56	− 70	− 35	+ 6
	Canadian securities:													
3a	Trade in outstanding bonds and debentures	+ 241	− 3	+ 5	+ 25	+ 362	+ 20	− 170	− 85	− 87	− 159	− 35	− 70	− 10
3b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 66
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127	+ 601	+ 722	+ 618
5	Retirements	− 460	− 313	− 96	− 136	− 263	− 159	− 75	− 132	− 184	− 169	− 133	− 105	− 131
	Foreign securities:													
6	Trade in outstanding issues	+ 21	− 2	− 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 14
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 5	− 18	− 3	− 8	− 13	− 15	− 13
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—	+ 4	+ 4
14	Change in Canadian dollar holdings of foreigners	+ 27	− 3	− 14	− 8	+ 89	− 53	− 37	− 1	+ 19	+ 66	− 48	− 10	+ 83
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	− 496	− 134	− 694	− 39	− 80	+ 42	− 121	+ 42	− 34	+ 104	− 108
17	Other capital movements	—	− 76	+ 1	− 38	+ 249	+ 59	− 458	− 223	+ 18	+ 151	+ 103	+ 27	+ 14
	Net capital movement	**+ 331**	**+ 505**	**− 385**	**− 70**	**+ 267**	**+ 515**	**− 158**	**+ 244**	**+ 277**	**+ 425**	**+ 856**	**+1,037**	**+ 874**
	Balance settled by exchange transfers	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+1,007**	**+ 660**	**+ 530**	**+ 610**	**+ 783**	**+ 531**	**+ 260**
	Total financing of current account balance (item C)	**+ 607**	**+1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 807**	**+1,035**	**+1,639**	**+1,568**	**+1,134**

[1] Subject to revision.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946 - 1958 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958[1]
		millions of dollars												
A	**Current receipts:**													
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	818	749	76
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	13	1
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	3
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	8
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	1
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	45	4
12	**Total current receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,015**	**957**	**96**
B	**Current payments:**													
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520	53
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	5
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	7
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	7
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	2
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	85	9
12	**Total current payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	**763**	**819**	**85**
	Balance on merchandise trade	+488	+567	+416	+401	+ 70	+219	+377	+193	+269	+366	+325	+229	+23
	Balance on other transactions	+ 12	+ 66	+ 70	+ 45	– 46	+ 4	+ 11	– 60	– 40	– 36	– 73	– 91	–12
C	**Current account balance**	**+500**	**+633**	**+486**	**+446**	**+ 24**	**+223**	**+388**	**+133**	**+229**	**+330**	**+252**	**+138**	**+10**

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	**Current receipts:**													
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	256	246	29
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	1
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	2
7	Inheritances and immigrants' funds	–	1	2	1	1	3	3	4	4	4	5	8	
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	8	
12	**Total current receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	**324**	**316**	**35**
B	**Current payments:**													
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	222	239	21
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	1
5	Interest and dividends	1	1	1	1	–	–	–	–	–	1	1	1	
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2	
7	Inheritances and emigrants' funds	–	–	1	2	1	1	1	1	1	1	1	2	
9	Official contributions	5	–	–	–	–	–	15	18	8	22	28	35	4
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	17	1
12	**Total current payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	**276**	**307**	**28**
	Balance on merchandise trade	+140	+206	+101	+113	– 43	– 45	+108	+ 79	+ 23	+ 43	+ 34	+ 7	+ 8
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29	+ 39	+ 42	+ 37	+ 2
	Official contributions	– 5	–	–	–	–	–	– 15	– 18	– 8	– 22	– 28	– 35	– 4
C	**Current account balance**	**+164**	**+242**	**+129**	**+135**	**– 23**	**– 24**	**+114**	**+ 83**	**+ 44**	**+ 60**	**+ 48**	**+ 9**	**+ 6**

[1] Subject to revision.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946 - 1958 – Concluded

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958[1]
	millions of dollars												
Current account balance	**+664**	**+875**	**+615**	**+581**	**+ 1**	**+199**	**+502**	**+216**	**+273**	**+390**	**+300**	**+147**	**+173**
Capital account:													
Direct investment:													
Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 95
Direct investment abroad	− 10	− 3	− 2	− 3	− 4	− 6	− 19	− 22	− 23	− 9	− 27	− 11	+ 4
Canadian securities:													
a Trade in outstanding bonds and debentures	− 48	− 11	− 4	− 16	− 35	− 16	+ 3	+ 20	—	− 2	+ 11	—	+ 3
b Trade in outstanding common and preference stocks							− 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4
New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+ 41
Retirements	− 77	− 42	− 14	− 10	− 19	− 24	− 9	− 11	− 17	− 11	− 2	− 21	− 15
Foreign securities:													
Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	− 9	+ 4	+ 2	+ 2
New issue	—	—	—	—	—	—	—	—	− 1	− 21	—	—	—
Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—	—	+ 1
Loans by Government of Canada:													
Drawings	−540	−423	− 52	−120	− 50	—	—	—	—	—	—	—	− 34
Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	—	+ 16
Repayment of war loans	+ 89	+104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30
Change in Canadian dollar holdings of foreigners	+ 32	− 4	− 20	+ 62	+116	−128	− 22	− 17	+ 6	+ 11	+ 14	− 20	+ 9
Change in official holding of sterling (increase, minus)	+ 16	− 1	+ 4	+ 6	− 28	− 17	+ 43	− 4	− 3	+ 2	+ 1	+ 1	− 1
Other capital movements	+ 39	+ 16	+ 18	− 27	− 39	+ 82	− 62	+ 37	− 32	+ 60	+ 9	+ 33	+ 12
Net capital movement	**−491**	**−357**	**+ 7**	**− 87**	**+ 13**	**− 23**	**− 16**	**+129**	**+ 94**	**+177**	**+261**	**+228**	**+167**
Balance settled by exchange transfers:													
Official settlements	−150	−505	−597	−466	+ 4	−165	−486	−345	−367	−567	−561	−375	−340
Private settlements	− 23	−13	− 25	− 28	− 18	− 11							
Total financing of current account balance (item C)	**−664**	**−875**	**−615**	**−581**	**− 1**	**−199**	**−502**	**−216**	**−273**	**−390**	**−300**	**−147**	**−173**

[1] Subject to revision.

TABLE III. Current Account Between Canada and All Countries, 1926 - 1958

Year	Current receipts[1]	Current payments[2]	Net balance including Mutual Aid exports	Wartime Grants and Mutual Aid	Net balance on current account indicating net movement of capital
	millions of dollars				
	1,665	1,538	+ 127	—	+ 127
	1,633	1,643	− 10	—	− 10
	1,788	1,820	− 32	—	− 32
	1,646	1,957	− 311	—	− 311
	1,297	1,634	− 337	—	− 337
	972	1,146	− 174	—	− 174
	808	904	− 96	—	− 96
	829	831	− 2	—	− 2
	1,020	952	+ 68	—	+ 68
	1,145	1,020	+ 125	—	+ 125
	1,430	1,186	+ 244	—	+ 244
	1,593	1,413	+ 180	—	+ 180
	1,361	1,261	+ 100	—	+ 100
	1,457	1,331	+ 126	—	+ 126
	1,776	1,627	+ 149	—	+ 149
	2,458	1,967	+ 491	—	+ 491
	3,376	2,275	+1,101	−1,002	+ 99
	4,064	2,858	+1,206	− 518	+ 688
	4,557	3,539	+1,018	− 960	+ 58
	4,456	2,910	+1,546	− 858	+ 688
	3,365	2,905	+ 460	− 97	+ 363
	3,748	3,699	+ 49	—	+ 49
	4,147	3,696	+ 451	—	+ 451
	4,089	3,912	+ 177	—	+ 177
	4,297	4,574	− 277	− 57	− 334
	5,311	5,683	− 372	− 145	− 517
	5,858	5,494	+ 364	− 200	+ 164
	5,737	5,934	− 197	− 246	− 443
	5,520	5,668	− 148	− 284	− 432
	6,072	6,548	− 476	− 222	− 698
	6,621	7,830	−1,209	− 157	−1,366
	6,637	7,954	−1,317	− 107	−1,424
	6,565	7,508	− 943	− 142	−1,085

[1] Including Mutual Aid exports.
[2] Excluding Mutual Aid offsets.
[3] Subject to revision.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1956-1958

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1956 I	1956 II	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 IV	1958[1] I	1958[1] II	1958[1] III	1958[1] I
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	1,051	1,262	1,247	1,277	1,102	1,215	1,308	1,284	1,088	1,277	1,218	1,
3	Gold production available for export	37	40	38	35	39	31	27	50	44	39	39	
4	Travel expenditures	26	65	191	55	31	76	197	59	32	76	186	
5	Interest and dividends	37	39	25	41	25	39	32	58	31	34	29	
6	Freight and shipping	102	115	120	120	108	117	117	103	98	102	98	
7	Inheritances and immigrants' funds	17	28	26	28	25	42	34	23	18	27	26	
11	All other current receipts	94	114	110	124	110	104	89	85	94	88	85	
12	**Total current receipts**	**1,364**	**1,663**	**1,757**	**1,680**	**1,440**	**1,624**	**1,804**	**1,662**	**1,405**	**1,643**	**1,681**	**1,**
B	**Current payments:**												
1	Merchandise imports (adjusted)	1,245	1,542	1,351	1,427	1,328	1,518	1,350	1,292	1,151	1,354	1,206	1,
4	Travel expenditures	93	133	169	103	100	142	178	105	100	140	191	
5	Interest and dividends	115	110	128	170	122	155	137	173	116	133	141	
6	Freight and shipping	99	134	132	137	113	147	135	120	95	114	127	
7	Inheritances and emigrants' funds	25	28	31	31	33	37	43	44	29	36	39	
9	Official contributions	9	10	5	6	5	8	7	17	11	16	12	
11	All other current payments	148	142	157	150	163	163	155	164	170	173	163	
12	**Total current payments**	**1,734**	**2,099**	**1,973**	**2,024**	**1,864**	**2,170**	**2,005**	**1,915**	**1,672**	**1,966**	**1,879**	**1**
	Balance on merchandise trade	− 194	− 280	− 104	− 150	− 226	− 303	− 42	− 8	− 63	− 77	+ 12	−
	Balance on other transactions, excluding B9	− 167	− 146	− 107	− 188	− 193	− 235	− 152	− 228	− 193	− 230	− 198	−
	Official contributions	− 9	− 10	− 5	− 6	− 5	− 8	− 7	− 17	− 11	− 16	− 12	−
C	**Current account balance**	**− 370**	**− 436**	**− 216**	**− 344**	**− 424**	**− 546**	**− 201**	**− 253**	**− 267**	**− 323**	**− 198**	**−**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 119	+ 167	+ 116	+ 181	+ 98	+ 155	+ 133	+ 128	+ 97	+ 106	+ 105	+
2	Direct investment abroad	− 66	− 4	− 23	− 11	− 18	− 21	− 21	− 8	− 15	− 16	+ 14	−
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 46	− 14	− 8	− 13	− 10	− 4	− 15	− 16	− 3	− 12	− 6	+
3b	Trade in outstanding common and preference stocks	+ 29	+ 54	+ 76	+ 29	+ 40	+ 48	+ 43	+ 6	+ 3	+ 16	+ 34	+
4	New issues	+ 112	+ 176	+ 179	+ 200	+ 274	+ 295	+ 144	+ 85	+ 175	+ 292	+ 100	+
5	Retirements	− 71	− 23	− 25	− 22	− 42	− 25	− 36	− 30	− 29	− 51	− 24	−
	Foreign securities:												
6	Trade in outstanding issues	− 18	+ 8	+ 8	+ 22	− 12	+ 15	+ 13	+ 8	+ 5	—	+ 3	+
7	New issues	− 2	− 6	− 4	− 6	− 5	− 4	− 8	− 7	− 4	− 7	− 2	−
8	Retirements	—	—	—	—	+ 1	+ 2	+ 1	+ 2	+ 2	+ 1	+ 2	+
	Loans by Government of Canada:												
9	Drawings	—	—	—	—	—	—	—	—	− 16	− 8	—	−
10	Repayment of post-war loans	—	+ 13	—	+ 26	—	+ 11	—	+ 9	—	+ 9	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+
14	Change in Canadian dollar holdings of foreigners	− 22	− 5	− 2	+ 5	− 33	− 27	+ 7	+ 18	− 16	+ 41	+ 90	−
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 30	− 31	− 5	− 27	+ 13	− 22	+ 53	+ 61	− 39	− 52	+ 32	−
17	Other capital movements	+ 206	+ 93	− 103	− 48	+ 111	+ 115	− 120	− 11	+ 100	− 4	− 157	+
E	**Net capital movement**	**+ 370**	**+ 436**	**+ 216**	**+ 344**	**+ 424**	**+ 546**	**+ 201**	**+ 253**	**+ 267**	**+ 323**	**+ 198**	**+**

[1] Subject to revision.

Notes: Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA since Mutual Aid to NATO countries is t
tributed by quarters.

For other notes applicable to this table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1956-1958 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

Account	1956				1957				1958[1]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
Current receipts:												
Merchandise exports (adjusted)	640	719	733	762	654	725	794	758	650	720	757	782
Gold production available for export	37	40	38	35	39	31	27	50	44	39	39	38
Travel expenditures	24	56	181	48	27	64	184	50	28	62	171	48
Interest and dividends	28	18	16	18	19	19	25	32	21	21	19	37
Freight and shipping	48	56	60	59	53	59	61	49	49	51	55	51
Inheritances and immigrants' funds	9	12	12	12	9	13	14	11	10	13	14	11
All other current receipts	74	91	90	99	88	83	67	61	72	66	61	76
Total current receipts	**860**	**992**	**1,130**	**1,033**	**889**	**994**	**1,172**	**1,011**	**874**	**972**	**1,116**	**1,043**
Current payments:												
Merchandise imports (adjusted)	935	1,119	937	1,030	1,000	1,084	919	875	828	926	798	885
Travel expenditures	75	104	132	80	79	112	134	78	80	113	136	84
Interest and dividends	87	92	103	145	90	135	107	146	82	114	112	171
Freight and shipping	66	94	95	96	73	102	95	81	57	73	86	78
Inheritances and emigrants' funds	22	22	25	25	28	29	34	33	23	24	28	29
All other current payments	89	92	97	92	96	101	98	105	100	106	104	102
Total current payments	**1,274**	**1,523**	**1,389**	**1,468**	**1,366**	**1,563**	**1,387**	**1,318**	**1,170**	**1,356**	**1,264**	**1,349**
Current account balance	**− 414**	**− 531**	**− 259**	**− 435**	**− 477**	**− 569**	**− 215**	**− 307**	**− 296**	**− 384**	**− 148**	**− 306**
Capital account:												
Direct investment:												
Direct investment in Canada	+ 78	+ 100	+ 76	+ 152	+ 79	+ 104	+ 107	+ 100	+ 70	+ 85	+ 64	+ 112
Direct investment abroad	− 57	+ 7	− 16	− 4	− 8	− 11	− 9	− 7	− 3	− 10	+ 18	+ 1
Canadian securities:												
Trade in outstanding bonds and debentures	+ 33	− 25	− 17	− 26	− 19	− 11	− 15	− 25	− 7	− 6	− 8	+ 11
Trade in outstanding common and preference stocks	+ 22	+ 27	+ 24	− 4	+ 5	− 10	+ 7	+ 3	+ 7	+ 10	+ 26	+ 23
New issues	+ 107	+ 160	+ 166	+ 168	+ 247	+ 275	+ 126	+ 74	+ 160	+ 255	+ 90	+ 113
Retirements	− 67	− 22	− 23	− 21	− 27	− 21	− 32	− 25	− 27	− 42	− 22	− 40
Foreign securities:												
Trade in outstanding issues	− 20	+ 6	+ 5	+ 19	− 13	+ 15	+ 11	+ 7	+ 4	—	+ 4	+ 6
New issues	− 1	− 4	− 4	− 4	− 4	− 3	− 3	− 5	− 4	− 6	− 1	− 2
Retirements	—	—	—	—	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1
Change in Canadian dollar holdings of foreigners	− 38	− 6	+ 10	− 14	− 2	− 15	+ 3	+ 4	—	+ 35	+ 75	− 27
Change in official holdings of gold and U.S. dollars (increase, minus)	+ 29	− 28	− 4	− 31	+ 12	− 17	+ 49	+ 60	− 39	− 52	+ 33	− 50
Other capital movements	+ 184	+ 74	− 99	− 56	+ 94	+ 104	− 151	− 20	+ 94	+ 12	− 159	+ 67
Net capital movement	**+ 270**	**+ 289**	**+ 118**	**+ 179**	**+ 365**	**+ 411**	**+ 94**	**+ 167**	**+ 256**	**+ 282**	**+ 121**	**+ 215**
Balance settled by exchange transfers	**+ 144**	**+ 242**	**+ 141**	**+ 256**	**+ 112**	**+ 158**	**+ 121**	**+ 140**	**+ 40**	**+ 102**	**+ 27**	**+ 91**
Total financing of current account balance (item C)	**+ 414**	**+ 531**	**+ 259**	**+ 435**	**+ 477**	**+ 569**	**+ 215**	**+ 307**	**+ 296**	**+ 384**	**+ 148**	**+ 306**

[1] Subject to revision.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1956 - 1958 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1956				1957				1958[1]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	180	199	220	219	163	180	212	194	157	206	192	2
4	Travel expenditures	1	5	5	3	2	6	7	3	2	7	7	
5	Interest and dividends	2	3	3	6	3	2	2	3	2	2	3	
6	Freight and shipping	24	25	25	24	21	27	24	23	21	22	19	
7	Inheritances and immigrants' funds	4	6	7	7	8	15	11	6	4	4	5	
11	All other current receipts	11	12	11	13	12	11	11	11	11	10	11	
12	**Total current receipts**	**222**	**250**	**271**	**272**	**209**	**241**	**267**	**240**	**197**	**251**	**237**	**2**
B	**Current payments:**												
1	Merchandise imports (adjusted)	97	149	128	119	114	144	132	130	113	157	127	1
4	Travel expenditures	6	14	16	10	6	12	18	11	7	9	26	
5	Interest and dividends	23	13	20	17	25	13	22	18	26	11	22	
6	Freight and shipping	12	16	14	17	16	18	17	18	17	18	17	
7	Inheritances and emigrants' funds	2	4	4	4	2	5	6	7	3	7	8	
11	All other current payments	19	20	20	19	23	21	20	21	27	25	21	
12	**Total current payments**	**159**	**216**	**202**	**186**	**186**	**213**	**215**	**205**	**193**	**227**	**221**	**2**
C	**Current account balance**	**+ 63**	**+ 34**	**+ 69**	**+ 86**	**+ 23**	**+ 28**	**+ 52**	**+ 35**	**+ 4**	**+ 24**	**+ 16**	**+**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 14	+ 39	+ 28	+ 17	+ 8	+ 23	+ 15	+ 19	+ 19	+ 15	+ 34	+
2	Direct investment abroad	− 1	—	− 1	− 1	+ 1	+ 1	+ 1	+ 1	− 3	− 2	− 1	+
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 2	+ 3	+ 3	+ 3	+ 1	+ 2	− 5	+ 2	—	− 1	—	+
3b	Trade in outstanding common and preference stocks	+ 1	+ 16	+ 35	+ 20	+ 27	+ 42	+ 17	+ 1	− 4	+ 3	+ 3	+
4	New issues	+ 3	+ 10	+ 9	+ 14	+ 23	+ 13	+ 14	+ 9	+ 11	+ 18	+ 4	+
5	Retirements	—	− 1	—	− 1	− 14	− 2	− 1	− 4	− 1	− 6	− 1	−
	Foreign securities:												
6	Trade in outstanding issues	+ 1	—	+ 2	+ 1	+ 1	− 1	+ 1	+ 1	+ 1	—	—	+
7	New issues	—	—	—	—	—	—	—	—	—	—	—	
8	Retirements	—	—	—	—	—	—	—	—	+ 1	—	—	
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 15	—	—	—	—	—	—	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+
14	Change in Canadian dollar holdings of foreigners	+ 13	+ 5	− 14	+ 12	− 16	− 16	+ 4	+ 10	− 13	+ 1	+ 8	+
16	Change in official holdings of sterling (increase, minus)	+ 1	− 3	− 1	+ 4	+ 1	− 5	+ 4	+ 1	—	—	− 1	
17	Other capital movements	+ 9	+ 5	+ 2	+ 5	− 3	+ 5	+ 17	+ 16	+ 8	− 2	+ 17	−
E	**Net capital movement**	**+ 50**	**+ 82**	**+ 70**	**+ 97**	**+ 36**	**+ 70**	**+ 74**	**+ 64**	**+ 26**	**+ 34**	**+ 70**	**+**
G	**Balance settled by exchange transfers**	**−113**	**−116**	**−139**	**−183**	**− 59**	**− 98**	**−126**	**− 99**	**− 30**	**− 58**	**− 86**	**−1**
	Total financing of current account balance (item C)	**− 63**	**− 34**	**− 69**	**− 86**	**− 23**	**− 28**	**− 52**	**− 35**	**− 4**	**− 24**	**− 16**	**−**

[1] Subject to revision.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1956-1958 — Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

Account	1956				1957				1958[1]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
Rest of the Sterling Area:												
Merchandise exports	58	75	61	62	55	63	56	72	78	83	62	76
Other current receipts	15	18	16	19	11	18	13	28	14	14	14	14
Total current receipts	73	93	77	81	66	81	69	100	92	97	76	90
Merchandise imports	41	57	65	59	40	70	67	62	37	63	53	59
Other current payments	16	17	10	11	14	17	14	23	17	24	18	19
Total current payments	57	74	75	70	54	87	81	85	54	87	71	78
Current account balance	**+ 16**	**+ 19**	**+ 2**	**+ 11**	**+ 12**	**− 6**	**− 12**	**+ 15**	**+ 38**	**+ 10**	**+ 5**	**+ 12**
Non-sterling area overseas countries:												
Merchandise exports	173	269	233	234	230	247	246	260	203	268	207	236
Other current receipts	36	59	46	60	46	61	50	51	39	55	45	47
Total current receipts	209	328	279	294	276	308	296	311	242	323	252	283
Merchandise imports	172	217	221	219	174	220	232	225	173	208	228	264
Other current payments	72	69	86	81	84	87	90	82	82	88	95	86
Total current payments	244	286	307	300	258	307	322	307	255	296	323	350
Current account balance	**− 35**	**+ 42**	**− 28**	**− 6**	**+ 18**	**+ 1**	**− 26**	**+ 4**	**− 13**	**+ 27**	**− 71**	**− 67**
Current account balance with above areas	**− 19**	**+ 61**	**− 26**	**+ 5**	**+ 30**	**− 5**	**− 38**	**+ 19**	**+ 25**	**+ 37**	**− 66**	**− 55**
Capital account:												
Direct investment:												
Direct investment in Canada	+ 27	+ 28	+ 12	+ 12	+ 11	+ 28	+ 11	+ 9	+ 8	+ 6	+ 7	+ 9
Direct investment abroad	− 8	− 11	− 6	− 6	− 11	− 11	− 13	− 2	− 9	− 4	− 3	− 5
Canadian securities:												
Trade in outstanding bonds and debentures	+ 11	+ 8	+ 6	+ 10	+ 8	+ 5	+ 5	+ 7	+ 4	− 5	+ 2	+ 6
Trade in outstanding common and preference stocks	+ 6	+ 11	+ 17	+ 13	+ 8	+ 16	+ 19	+ 2	—	+ 3	+ 5	+ 6
New issues	+ 2	+ 6	+ 4	+ 18	+ 4	+ 7	+ 4	+ 2	+ 4	+ 19	+ 6	+ 7
Retirements	− 4	—	− 2	—	− 1	− 2	− 3	− 1	− 1	− 3	− 1	− 5
Foreign securities:												
Trade in outstanding issues	+ 1	+ 2	+ 1	+ 2	—	+ 1	+ 1	—	—	—	− 1	+ 1
New issues	− 1	− 2	—	− 2	− 1	− 1	− 5	− 2	—	− 1	− 1	− 2
Retirements	—	—	—	—	—	+ 1	—	+ 1	—	—	+ 1	+ 1
Loans by Government of Canada:												
Drawings	—	—	—	—	—	—	—	—	− 16	− 8	—	− 10
Repayment of post-war loans	—	+ 13	—	+ 11	—	+ 11	—	+ 9	—	+ 9	—	+ 9
Change in Canadian dollar holdings of foreigners	+ 3	− 4	+ 2	+ 7	− 15	+ 4	—	+ 4	− 3	+ 5	+ 7	+ 10
Other capital movements	+ 13	+ 14	− 6	+ 3	+ 20	+ 6	+ 14	− 7	− 2	− 14	− 15	− 3
Net capital movement	**+ 50**	**+ 65**	**+ 28**	**+ 68**	**+ 23**	**+ 65**	**+ 33**	**+ 22**	**− 15**	**+ 7**	**+ 7**	**+ 24**
Balance settled by exchange transfers	**− 31**	**−126**	**− 2**	**− 73**	**− 53**	**− 60**	**+ 5**	**− 41**	**− 10**	**− 44**	**+ 59**	**+ 31**
Total financing of current account balance (item C)	**+ 19**	**− 61**	**+ 26**	**− 5**	**− 30**	**+ 5**	**+ 38**	**− 19**	**− 25**	**− 37**	**+ 66**	**+ 55**

[1] Subject to revision.

TABLE V. Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends, 1926-1958

(exclusive of short-term commercial indebtedness and blocked currencies, see also Statement 16A.)

Item	1926	1930	1933	1939	1945	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958[5]
	billions of dollars														
Canadian liabilities (Foreign capital invested in Canada):															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.0	4.5	5.2	6.0	6.8	7.7	8.9	10.1	11.0
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.0	2.1	2.0	2.1	2.1	1.9	2.1	2.3	2.7
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.4	2.5	2.7	2.9	3.1	3.1	3.5	3.9	4.2
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4[4]	0.5	0.6	0.6	0.8	0.9	0.9
Total non-resident long-term investments in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**8.0**	**8.7**	**9.5**	**10.4**	**11.5**	**12.5**	**13.5**	**15.6**	**17.5**	**19.1**
Equity of non-residents in Canadian assets abroad	[2]	[2]	[2]	0.2	0.2	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.8	0.8	0.9
Canadian dollar holdings of non-residents	[2]	[2]	[2]	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Canadian short-term assets of IBRD and IMF	—	—	—	—	—	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Gross liabilities	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.9**	**9.9**	**10.6**	**11.4**	**12.6**	**13.7**	**14.8**	**17.0**	**18.9**	**20.7**
United States	3.5	4.9	4.7	4.5	5.4	6.4	7.1	7.9	8.5	9.5	10.3	11.1	12.6	14.2	15.6
United Kingdom	2.7	2.9	2.8	2.6	1.8	1.8	2.0	1.9	2.0	2.2	2.3	2.5	2.8	3.1	3.3
Other countries, IBRD and IMF	0.2	0.2	0.2	0.3	0.4	0.7	0.8	0.8	0.9	1.0	1.0	1.2	1.5	1.7	1.8
Canadian assets (Canadian capital invested abroad):															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.9	1.0	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.1
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.8[4]	0.9	0.9	1.0	1.0	1.1	1.1
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5
Government of Canada subscriptions to IBRD, IFC and IMF	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**4.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**	**4.7**	**4.8**	**5.0**	**5.0**
Government of Canada holdings of gold and foreign exchange VI	[2]	[2]	[2]	0.5	1.7	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9
Other Canadian short-term assets abroad	[3]	[3]	[3]	—	0.1	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.5	0.8	0.8
Gross assets	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**5.2**	**5.9**	**6.0**	**6.4**	**6.6**	**6.9**	**7.0**	**7.2**	**7.6**	**7.7**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9
United States[1]	0.7	0.9	0.8	0.9	0.9	1.1	1.1	1.4	1.7	2.0	2.1	2.2	2.5	2.9	3.0
United Kingdom[1]	0.1	0.1	—	0.1	0.7	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Other countries, IBRD, IFC and IMF	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.4
Canadian net international indebtedness:															
Net liabilities	**5.1**	**6.5**	**6.3**	**5.5**	**3.9**	**3.7**	**4.0**	**4.6**	**5.0**	**6.0**	**6.8**	**7.8**	**9.7**	**11.3**	**13.**
Government of Canada holdings of gold and foreign exchange	—	—	—	−0.5	−1.7	−1.2	−1.9	− 1.8	− 1.8	− 1.8	− 1.9	− 1.9	− 1.9	− 1.8	− 1.
United States[1]	2.8	4.0	3.9	3.6	4.6	5.3	6.0	6.5	6.8	7.5	8.2	8.8	10.1	11.2	12.
United Kingdom[1]	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.4	0.5	0.7	0.9	1.1	1.5	1.7	1.
Other countries, IBRD, IFC and IMF	−0.3	−0.3	−0.4	−0.1	−0.1	−0.6	−0.5	− 0.5	− 0.5	− 0.4	− 0.4	− 0.2	—	0.1	0.

[1] Excludes Government of Canada holdings of gold and foreign exchange.
[2] Not available.
[3] Not available; net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
[4] New series not strictly comparable with earlier years.
[5] Preliminary estimate.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further detail a pears.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are v lued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of oth countries.

A dash (—) means "nil" or less than $0.5 million.

For more detailed treatment see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,[1] 1950-1958

At end of	1950	1951	1952	1953	1954	1955	1956	1957	1958
	millions of U.S. dollars								
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Accounts and other Government accoun and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad,[1] Selected Year Ends, 1926-1957

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investments in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
all countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671[3]	511	208	719[3]	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
1952	326	771	163	11	1,271	669[3]	161	830	2,101	1,866	3,967
1953	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
1954	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
1955	438	1,002	291	18	1,749	767	224	991	2,740	1,635	4,375
1956	418	1,119	340	26	1,903	785	221	1,006	2,909	1,565	4,474
1957	426	1,204	410	38	2,078	797	257	1,054	3,132	1,515	4,647
the United States:											
1926	..	..	..	..	250	..	..	195	445	—	445
1930	..	..	..	..	260	..	..	459	719	—	719
1939	211	176	21	4	412[3]	380	121	501[3]	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1951	288	549	71	4	912	289	87	376	1,288	—	1,288
1952	293	572	95	8	968	450[3]	86	536	1,504	—	1,504
1953	365	632	123	7	1,127	469	95	564	1,691	—	1,691
1954	390	695	145	10	1,240	490	89	579	1,819	—	1,819
1955	393	719	175	14	1,301	539	89	628	1,929	—	1,929
1956	378	817	190	22	1,407	569	84	653	2,060	—	2,060
1957	380	845	206	32	1,463	579	118	697	2,160	—	2,160
the United Kingdom:											
1926	..	..	..	..	7	..	..	45	52	—	52
1930	..	..	..	..	14	..	..	45	59	—	59
1939	—	53	—	6	59[3]	22	21	43[3]	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1951	1	73	—	—	74	17	17	34	108	1,394	1,502
1952	1	80	—	—	81	17	14	31	112	1,357	1,469
1953	1	103	—	—	104	16	13	29	133	1,292	1,425
1954	1	118	—	—	119	17	14	31	150	1,247	1,397
1955	2	128	—	1	131	29	17	46	177	1,202	1,379
1956	3	135	—	1	139	30	16	46	185	1,157[5]	1,342
1957	3	162	—	1	166	33	15	48	214	1,127[5]	1,341
other Commonwealth countries:[2]											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	6	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	6	73	54	—	133	6	8	14	147	—	147
1954	4	74	60	—	138	6	7	13	151	—	151
1955	4	83	72	—	159	7	21	28	187	—	187
1956	8	85	98	—	191	7	21	28	219	—	219
1957	9	93	131	2	235	7	21	28	263	—	263
other foreign countries:											
1926	..	..	..	..	140[4]	..	..	253[4]	393[4]	36	429[4]
1930	..	..	..	..	169[4]	105	180	285[4]	454[4]	31	485[4]
1939	31	30	85	—	146[3]	102	51	153[3]	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1951	25	39	26	2	92	155	30	185	277	528	805
1952	25	49	33	3	110	196	53	249	359	509	868
1953	30	51	38	2	121	199	63	262	383	486	869
1954	32	57	40	2	131	210	93	303	434	458	892
1955	39	72	44	3	158	192	97	289	447	433	880
1956	29	82	52	3	166	179	100	279	445	408	853
1957	34	104	73	3	214	178	103	281	495	388	883

[1] Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the vernment of Canada to the International Bank for Reconstruction and Development, the International Finance Corporation and the International Monetary Fund, ich are partly offset by short term assets in Canada of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian mpanies (Table V).

[2] Includes investments in Newfoundland prior to 1949.

[3] New series not strictly comparable with earlier years.

[4] Includes investments in "Other Commonwealth countries".

[5] Excludes deferred interest amounting to $22 million at the end of 1956, and to $44 million at the end of 1957.

.. Not available.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930 - 1957

Classification by type of security and nature of national ownership

Long term investments in Canada	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	195
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal[1]	1,706	1,662	2,103	2,056	1,868	2,134	2,324	1,205	1,450	1,898	1,822	1,639	1,871	2,05
Railways	1,481	843	676	604	538	504	480	598	495	335	274	213	182	16
Other corporations	796	561	674	1,162	1,227	1,500	1,961	600	414	542	981	1,023	1,254	1,66
Sub-total	**3,983**	**3,066**	**3,453**	**3,822**	**3,633**	**4,138**	**4,765**	**2,403**	**2,359**	**2,775**	**3,077**	**2,875**	**3,307**	**3,89**
Capital stock of Canadian companies	2,856	3,194	4,745	6,285	6,942	8,003	8,890	1,832	2,088	3,477	4,620	5,026	5,722	6,33
Other corporation assets[2]	480	548	951	1,774	2,090	2,369	2,693	331	413	812	1,563	1,840	2,050	2,31
Income accumulating investment funds	—	—	—	102	170	249	255	—	—	—	102	170	249	25
Miscellaneous investments	295	284	328	561	641	818	879	94	130	195	302	367	474	48
Total investments	**7,614**	**7,092**	**9,477**	**12,544**	**13,476**	**15,577**	**17,482**	**4,660**	**4,990**	**7,259**	**9,664**	**10,278**	**11,802**	**13,27**
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	52	46	36	37	36	36	32	42	38	29	29	29	29	2
Other corporations	357	281	346	615	719	782	1,071	294	254	319	589	676	729	1,00
Sub-total	**409**	**327**	**382**	**652**	**755**	**818**	**1,103**	**336**	**292**	**348**	**618**	**705**	**758**	**1,02**
Capital stock of Canadian companies	1,543	1,860	3,205	4,399	4,944	5,732	6,400	1,330	1,613	2,750	3,659	4,022	4,635	5,20
Other corporation assets[2]	475	526	933	1,713	2,033	2,315	2,617	327	399	798	1,510	1,789	2,001	2,24
Total direct investments	**2,427**	**2,713**	**4,520**	**6,764**	**7,732**	**8,865**	**10,120**	**1,993**	**2,304**	**3,896**	**5,787**	**6,516**	**7,394**	**8,47**
II. Government and municipal bonds[1]	**1,706**	**1,662**	**2,103**	**2,056**	**1,868**	**2,134**	**2,324**	**1,205**	**1,450**	**1,898**	**1,822**	**1,639**	**1,871**	**2,05**
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	1,427	795	637	564	499	467	447	556	457	306	245	184	153	13
— Controlled in other countries	2	2	3	3	3	1	1	—	—	—	—	—	—	—
Other corporations — Controlled in Canada	421	220	239	415	369	478	619	301	158	214	383	331	436	55
— Controlled in other countries	18	60	89	132	139	240	271	5	2	9	9	16	89	10
Sub-total	**1,868**	**1,077**	**968**	**1,114**	**1,010**	**1,186**	**1,338**	**862**	**617**	**529**	**637**	**531**	**678**	**80**
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,423	1,753	1,838	2,066	2,227	484	462	709	930	961	1,044	1,05
Companies controlled in other countries	80	85	117	133	160	205	263	18	13	18	31	43	43	7
Other corporation assets:[2]														
Companies controlled in Canada	5	16	11	45	42	33	62	4	13	10	41	38	31	5
Companies controlled in other countries	—	6	7	16	15	21	14	—	1	4	12	13	18	1
Income accumulating investment funds	—	—	—	102	170	249	255	—	—	—	102	170	249	25
Total other portfolio investments	**3,186**	**2,433**	**2,526**	**3,163**	**3,235**	**3,760**	**4,159**	**1,368**	**1,106**	**1,270**	**1,753**	**1,756**	**2,063**	**2,25**
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	561	641	818	879	94	130	195	302	367	474	48
SUMMARY														
I. Direct investments	2,427	2,713	4,520	6,764	7,732	8,865	10,120	1,993	2,304	3,896	5,787	6,516	7,394	8,47
II. Government and municipal bonds	1,706	1,662	2,103	2,056	1,868	2,134	2,324	1,205	1,450	1,898	1,822	1,639	1,871	2,05
III. Other portfolio investments	3,186	2,433	2,526	3,163	3,235	3,760	4,159	1,368	1,106	1,270	1,753	1,756	2,063	2,25
IV. Miscellaneous investments	295	284	328	561	641	818	879	94	130	195	302	367	474	48
Total investments	**7,614**	**7,092**	**9,477**	**12,544**	**13,476**	**15,577**	**17,482**	**4,660**	**4,990**	**7,259**	**9,664**	**10,278**	**11,802**	**13,27**

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1957 — Concluded

Classification by type of security and nature of national ownership

Long term investments in Canada	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	1957
	millions of dollars													
By type of assets														
s and debentures:														
vernment and municipal[1]	486	157	146	144	141	152	145	15	55	59	90	88	111	120
ilways	862	316	309	298	296	296	290	21	32	32	32	29	26	24
ner corporations	171	116	104	153	157	174	200	25	31	28	28	47	72	96
Sub-total	**1,519**	**589**	**559**	**595**	**594**	**622**	**635**	**61**	**118**	**119**	**150**	**164**	**209**	**240**
tal stock of Canadian companies	942	973	1,044	1,291	1,426	1,647	1,838	82	133	224	374	490	634	721
r corporation assets[2]	134	103	110	154	179	231	266	15	32	29	57	71	88	113
ellaneous investments	171	85	65	137	157	168	177	30	69	68	122	117	176	213
Total investments	**2,766**	**1,750**	**1,778**	**2,177**	**2,356**	**2,668**	**2,916**	**188**	**352**	**440**	**703**	**842**	**1,107**	**1,287**
By nature of national ownership														
irect investments (controlled in country of ownership):														
onds and debentures:														
Railways	10	8	7	8	7	7	4	—	—	—	—	—	—	—
Other corporations	49	13	13	13	11	21	41	14	14	14	13	32	32	29
Sub-total	**59**	**21**	**20**	**21**	**18**	**28**	**45**	**14**	**14**	**14**	**13**	**32**	**32**	**29**
apital stock of Canadian companies	200	226	369	587	695	790	848	13	21	86	153	227	307	348
ther corporation assets[2]	133	101	108	151	178	230	264	15	26	27	52	66	84	110
Total direct investments	**392**	**348**	**497**	**759**	**891**	**1,048**	**1,157**	**42**	**61**	**127**	**218**	**325**	**423**	**487**
overnment and municipal bonds[1]	**486**	**157**	**146**	**144**	**141**	**152**	**145**	**15**	**55**	**59**	**90**	**88**	**111**	**120**
ther portfolio investments (not controlled in country of ownership):														
onds and debentures:														
Railways—Controlled in Canada	850	306	299	287	286	288	285	21	32	32	32	29	26	24
—Controlled in other countries	2	2	3	3	3	1	1	—	—	—	—	—	—	—
Other corporations—Controlled in Canada	116	46	11	18	24	22	20	4	16	14	14	14	20	42
—Controlled in other countries	6	57	80	122	122	131	139	7	1	—	1	1	20	25
Sub-total	**974**	**411**	**393**	**430**	**435**	**442**	**445**	**32**	**49**	**46**	**47**	**44**	**66**	**91**
apital stock of Canadian companies:														
Companies controlled in Canada	685	691	602	648	672	783	915	64	96	112	175	205	239	258
Companies controlled in other countries	57	56	63	56	59	74	75	5	16	26	46	58	88	115
ther corporation assets:[2]														
Companies controlled in Canada	1	2	1	1	1	1	2	—	1	—	3	3	1	1
Companies controlled in other countries	—	—	1	2	—	—	—	—	5	2	2	2	3	2
Total other portfolio investments	**1,717**	**1,160**	**1,070**	**1,137**	**1,167**	**1,300**	**1,437**	**101**	**167**	**186**	**273**	**312**	**397**	**467**
iscellaneous investments:														
eal estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	65	137	157	168	177	30	69	68	122	117	176	213
SUMMARY														
irect investments	392	348	497	759	891	1,048	1,157	42	61	127	218	325	423	487
overnment and municipal bonds	486	157	146	144	141	152	145	15	55	59	90	88	111	120
ther portfolio investments	1,717	1,160	1,070	1,137	1,167	1,300	1,437	101	167	186	273	312	397	467
iscellaneous investments	171	85	65	137	157	168	177	30	69	68	122	117	176	213
Total investments	**2,766**	**1,750**	**1,778**	**2,177**	**2,356**	**2,668**	**2,916**	**188**	**352**	**440**	**703**	**842**	**1,107**	**1,287**

[1] For division of Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-1957

Classification by type of investment

Long term investments in Canada by type of investment	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	19
	millions of dollars													
Government securities:														
Dominion	682	726	1,013	659	529	502	501	440	682	887	515	393	340	
Provincial	592	624	771	964	888	1,081	1,165	517	574	732	914	836	1,021	1,
Municipal	432	312	319	433	451	551	658	248	194	279	393	410	510	
Sub-total	**1,706**	**1,662**	**2,103**	**2,056**	**1,868**	**2,134**	**2,324**	**1,205**	**1,450**	**1,898**	**1,822**	**1,639**	**1,871**	**2,**
Manufacturing:														
Vegetable products	208	268	366	443	483	522	592	123	199	277	338	365	401	
Animal products	50	61	74	97	103	104	109	44	47	64	84	91	91	
Textiles	49	83	117	120	122	128	128	26	41	61	62	65	70	
Wood and paper products	586	455	718	939	996	1,111	1,163	489	383	568	774	826	941	
Iron and products	262	319	530	722	894[1]	1,083	1,205	233	297	492	668	769[1]	891	
Non-ferrous metals	125	274	463	727	783	895	1,030	118	209	367	571	616	700	
Non-metallic minerals	24	57	80	126	136	169	177	19	48	60	91	87	108	
Chemicals and allied products	122	169	297	430	452	501	587	89	124	227	294	304	345	
Miscellaneous manufactures	33	37	70	117	59[1]	66	84	33	34	57	79	53[1]	60	
Sub-total (excluding petroleum refining)	**1,459**	**1,723**	**2,715**	**3,721**	**4,028**	**4,579**	**5,075**	**1,174**	**1,382**	**2,173**	**2,961**	**3,176**	**3,607**	**4,**
Petroleum and natural gas	150	157	693	1,488	1,854	2,275	2,853	147	149	682	1,426	1,716	2,063	2,
Other mining and smelting	311	359	586	981	1,121	1,332	1,574	234	280	497	867	975	1,131	1,
Public utilities:														
Railways	2,244	1,599	1,436	1,428	1,364	1,425	1,396	832	720	656	627	560	535	
Other (excluding pipelines)	634	493	524	570	575	629	655	522	374	439	470	434	461	
Sub-total	**2,878**	**2,092**	**1,960**	**1,998**	**1,939**	**2,054**	**2,051**	**1,354**	**1,094**	**1,095**	**1,097**	**994**	**996**	
Merchandising	190	220	377	571	616	685	713	125	158	260	412	448	499	
Financial institutions	543	525	595	1,014	1,231	1,493	1,779	251	285	353	649	816	991	1,
Other enterprises	82	70	120	154	178	207	234	76	62	106	128	147	170	
Miscellaneous investments	295	284	328	561	641	818	879	94	130	195	302	367	474	
Total investments	**7,614**	**7,092**	**9,477**	**12,544**	**13,476**	**15,577**	**17,482**	**4,660**	**4,990**	**7,259**	**9,664**	**10,278**	**11,802**	**13,**

	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	1
	millions of dollars													
Government securities:														
Dominion	235	—	70	71	67	72	64	7	44	56	73	69	90	
Provincial	69	45	38	38	39	45	47	6	5	1	12	13	15	
Municipal	182	112	38	35	35	35	34	2	6	2	5	6	6	
Sub-total	**486**	**157**	**146**	**144**	**141**	**152**	**145**	**15**	**55**	**59**	**90**	**88**	**111**	
Manufacturing:														
Vegetable products	84	66	80	96	106	107	124	1	3	9	9	12	14	
Animal products	5	6	5	6	6	7	7	1	8	5	7	6	6	
Textiles	22	38	52	55	55	56	55	1	4	4	3	2	2	
Wood and paper products	95	64	140	151	155	153	160	2	8	10	14	15	17	
Iron and products	24	12	28	37	103[1]	153	168	5	10	10	17	22	39	
Non-ferrous metals	6	64	91	146	153	175	192	1	1	5	10	14	20	
Non-metallic minerals	5	8	20	27	32	31	34	—	1	—	8	17	30	
Chemicals and allied products	32	36	60	121	132	137	142	1	9	10	15	16	19	
Miscellaneous manufactures	—	2	12	37	4[1]	4	6	—	1	1	1	2	2	
Sub-total (excluding petroleum refining)	**273**	**296**	**488**	**676**	**746**	**823**	**888**	**12**	**45**	**54**	**84**	**106**	**149**	
Petroleum and natural gas	3	7	7	17	31	72	107	—	1	4	45	107	140	
Other mining and smelting	72	60	58	68	86	118	162	5	19	31	46	60	83	
Public utilities:														
Railways	1,352	806	704	699	698	765	784	60	73	76	102	106	125	
Other (excluding pipelines)	100	90	56	65	86	97	112	12	29	29	35	55	71	
Sub-total	**1,452**	**896**	**760**	**764**	**784**	**862**	**896**	**72**	**102**	**105**	**137**	**161**	**196**	
Merchandising	61	57	102	136	145	158	174	4	5	15	23	23	28	
Financial institutions	243	186	142	213	241	286	332	49	54	100	152	174	216	
Other enterprises	5	6	10	22	25	29	35	1	2	4	4	6	8	
Miscellaneous investments	171	85	65	137	157	168	177	30	69	68	122	117	176	
Total investments	**2,766**	**1,750**	**1,778**	**2,177**	**2,356**	**2,668**	**2,916**	**188**	**352**	**440**	**703**	**842**	**1,107**	**1**

[1] New series not strictly comparable with earlier years.

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends, 1930-1957

Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	1957
	millions of dollars													
ufacturing:														
egetable products	165	200	291	373	397	439	485	94	140	214	279	302	339	375
nimal products	42	47	66	84	91	92	98	38	44	60	76	83	83	89
extiles	33	56	86	92	98	105	108	20	28	46	47	53	58	62
ood and paper products	378	348	564	763	812	877	927	334	316	454	642	687	756	800
on and products	203	277	467	638	805[2]	978	1,095	199	272	451	606	706[2]	816	903
on-ferrous metals	116	211	375	570	624	728	866	113	203	362	543	585	663	788
on-metallic minerals	20	43	74	111	122	142	155	17	39	59	82	79	90	100
hemicals and allied products	102	144	257	411	431	481	567	86	118	219	281	291	332	411
iscellaneous manufactures	31	33	68	114	57[2]	64	82	31	31	56	77	52[2]	59	75
Sub-total (excluding petroleum refining)	**1,090**	**1,359**	**2,248**	**3,156**	**3,437**	**3,906**	**4,383**	**932**	**1,191**	**1,921**	**2,633**	**2,838**	**3,196**	**3,603**
oleum and natural gas	142	138	641	1,384	1,754	2,144	2,548	141	138	636	1,344	1,637	1,978	2,371
r mining and smelting	217	240	419	671	811	908	1,048	191	218	397	650	781	857	975
ities (excluding pipelines)	450	375	361	319	320	291	283	423	358	341	298	270	222	215
handising	160	202	361	501	538	607	619	109	147	249	348	377	431	421
ncial institutions	304	339	373	590	706	814	1,024	136	198	253	396	475	550	719
r enterprises	64	60	112	143	166	195	215	61	54	99	118	138	160	172
Total	**2,427**	**2,713**	**4,520**	**6,764**	**7,732**	**8,865**	**10,120**	**1,993**	**2,304**	**3,896**	**5,787**	**6,516**	**7,394**	**8,476**

	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1954	1955	1956	1957	1930	1945	1951	1954	1955	1956	1957
	millions of dollars													
ufacturing:														
egetable products	71	60	74	90	91	93	103	—	—	3	4	4	7	7
nimal products	3	3	3	4	4	5	5	1	—	3	4	4	4	4
extiles	13	26	38	44	45	47	46	—	2	2	1	—	—	—
ood and paper products	44	30	109	120	124	120	126	—	2	1	1	1	1	1
on and products	3	4	14	23	87[2]	134	146	1	1	2	9	12	28	46
on-ferrous metals	3	8	10	19	27	49	61	—	—	3	8	12	16	17
on-metallic minerals	3	4	15	21	26	23	26	—	—	—	8	17	29	29
hemicals and allied products	15	19	30	119	129	135	139	1	7	8	11	11	14	17
iscellaneous manufactures	—	2	12	37	4[2]	4	6	—	—	—	—	1	1	1
Sub-total (excluding petroleum refining)	**155**	**156**	**305**	**477**	**537**	**610**	**658**	**3**	**12**	**22**	**46**	**62**	**100**	**122**
oleum and natural gas	1	—	4	7	23	56	64	—	—	1	33	94	110	113
r mining and smelting	25	22	18	17	26	48	68	1	—	4	4	4	3	5
ities (excluding pipelines)	27	16	16	16	33	39	37	—	1	4	5	17	30	31
handising	48	51	97	131	139	150	167	3	4	15	22	22	26	31
ncial institutions	133	98	48	90	109	117	130	35	43	77	104	122	147	175
r enterprises	3	5	9	21	24	28	33	—	1	4	4	4	7	10
Total	**392**	**348**	**497**	**759**	**891**	**1,048**	**1,157**	**42**	**61**	**127**	**218**	**325**	**423**	**487**

[1] Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.
[2] New series not strictly comparable with earlier years.

TABLE XI. Number of Canadian Concerns Controlled Abroad,[1] End of 1957

Classification by country of ownership and type of business

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controll outside Canad
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
Manufacturing:										
Vegetable products	142	6	148	52	1	53	11	—	11	21
Animal products	61	—	61	5	1	6	5	—	5	7
Textiles	83	1	84	24	1	25	4	—	4	11
Wood and paper products	207	14	221	32	2	34	10	—	10	26
Iron and products	446	21	467	78	1	79	18	—	18	56
Non-ferrous metals	252	8	260	39	2	41	18	—	18	31
Non-metallic minerals	65	4	69	43	—	43	7	—	7	11
Chemicals and allied products	301	33	334	51	1	52	12	2	14	40
Miscellaneous manufactures	94	7	101	16	—	16	4	—	4	12
Sub-total (excluding petroleum refining)	**1,651**	**94**	**1,745**	**340**	**9**	**349**	**89**	**2**	**91**	**2,18**
Petroleum and natural gas	336	73	409	14	2	16	12	1	13	43
Other mining and smelting	257	32	289	52	1	53	13	—	13	35
Utilities:										
Railways	7	4	11	3	—	3	—	—	—	1
Other utilities (excluding pipelines)	100	20	120	35	4	39	40	7	47	20
Merchandising	774	121	895	323	39	362	106	5	111	1,36
Financial:										
Financial institutions except insurance	58	6	64	22	1	23	10	1	11	9
Insurance	15	185	200	25	87	112	9	43	52	36
Real estate	88	6	94	22	3	25	18	—	18	13
Other holding companies[2]	45	9	54	35	1	36	36	1	37	12
Other enterprises	464	104	568	97	6	103	39	3	42	71
Total, all companies, 1957[3]	**3,795**	**654**	**4,449**	**968**	**153**	**1,121**	**372**	**63**	**435**	**6,00**
Total, all companies, 1945[4]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**	**2,52**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tables.
[2] Excludes non-resident owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 881; in the U.K. 294; in other countries 57.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926 - 1956[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956
	*	*	*	*	*	*			
Percentage of total owned by all non-residents:									
Manufacturing	38	40	42	42	45	48	47	47	4
Petroleum and natural gas							60	63	6
Mining and smelting	37	44	40	39	51	57[r]	53	53	5
Railways	55	56	57	45	50	35	35	33	3
Other utilities	32	36	27	20	17	17[r]	14	12	1
Total of above industries and merchandising[2]	**37**	**39**	**38**	**32**	**31**	**32**	**32**	**32**	**3**
Percentage of total owned by United States residents:									
Manufacturing	30	33	34	35	37	39	37	37	3
Petroleum and natural gas							57	58	5
Mining and smelting	28	34	31	32	45	52[r]	47	46	4
Railways	15	21	18	21	18	15	15	13	1
Other utilities	23	30	20	16	15	15[r]	12	10	1
Total of above industries and merchandising[2]	**19**	**24**	**22**	**23**	**24**	**25**	**25**	**25**	**2**

[1] For years 1952 and 1953, see Table XII, "The Canadian Balance of International Payments, 1957, and International Investment Position".
[2] Corporations engaged in the construction industry are included in the post-war period.
* Petroleum and natural gas industry not available separately. For treatment see note to Table XVI.
[r] Revised.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900 - 1958

Year	Total non-resident investment			Percentage of total non-resident investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other countries
	millions of dollars			per cent		
1900[2]	..	..	1,232	14	85	1
1910[3]	..	..	3,837	23	72	5
1911[3]	..	..	4,536	36	60	4
1926	1,782	4,221	6,003	53	44	3
1927	2,427	5,187	7,614	61	36	3
1928	2,352	5,013	7,365	61	36	3
1929	2,296	4,617	6,913	60	36	4
1930	2,713	4,379	7,092	70	25	5
1931	2,826	4,355	7,181	72	23	5
1932	2,986	4,205	7,191	72	23	5
1933	3,270	4,239	7,509	74	22	4
1934	3,586	4,377	7,963	74	22	4
1935	3,975	4,689	8,664	76	20	4
1936	4,520	4,957	9,477	76	19	5
1937	5,218	5,167	10,385	77	18	5
1938	6,003	5,458	11,461	77	18	5
1939	6,764	5,780	12,544	77	17	6
1940	7,732	5,744	13,476	76	18	6
1941	8,865	6,712	15,577	76	17	7
1942	10,120	7,362	17,482	76	17	7
1943	11,000[4]	8,100[4]	19,100[4]	77	16	7

Year	Investment by residents of the United States			Investment by residents of the United Kingdom			Investment by residents of other countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
	millions of dollars								
1900[2]	..	..	168	..	..	1,050	..	..	14
1910[3]	..	..	881	..	..	2,778	..	..	178
1911[3]	..	..	1,630	..	..	2,729	..	..	177
1926	1,403	1,793	3,196	336	2,301	2,637	43	127	170
1927	1,993	2,667	4,660	392	2,374	2,766	42	146	188
1928	1,933	2,559	4,492	376	2,307	2,683	43	147	190
1929	1,881	2,270	4,151	366	2,110	2,476	49	237	286
1930	2,304	2,686	4,990	348	1,402	1,750	61	291	352
1931	2,428	2,730	5,158	335	1,335	1,670	63	290	353
1932	2,548	2,653	5,201	372	1,275	1,647	66	277	343
1933	2,807	2,760	5,567	400	1,210	1,610	63	269	332
1934	3,095	2,811	5,906	428	1,289	1,717	63	277	340
1935	3,426	3,123	6,549	468	1,282	1,750	81	284	365
1936	3,896	3,363	7,259	497	1,281	1,778	127	313	440
1937	4,530	3,467	7,997	544	1,342	1,886	144	358	502
1938	5,206	3,664	8,870	612	1,396	2,008	185	398	583
1939	5,787	3,877	9,664	759	1,418	2,177	218	485	703
1940	6,516	3,762	10,278	891	1,465	2,356	325	517	842
1941	7,394	4,408	11,802	1,048	1,620	2,668	423	684	1,107
1942	8,476	4,803	13,279	1,157	1,759	2,916	487	800	1,287
1943	9,200[4]	5,400[4]	14,600[4]	1,275[4]	1,825[4]	3,100[4]	525[4]	875[4]	1,400[4]

[1] Including miscellaneous investments.
[2] Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).
[3] Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry", Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics 1926 and subsequent years are official data collected by the Dominion Bureau of Statistics.
[4] Preliminary estimate.
.. Not available.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926 - 1956[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956
	*	*	*	*	*	*			
Percentage of total control by all non-residents:									
Manufacturing	35	36	38	43	48	54	51	52	52
Petroleum and natural gas							69	79	80
Mining and smelting	38	47	42	40	53	57[r]	51	57	58
Railways	3	3	3	3	2	2	2	2	2
Other utilities	20	29	26	24	20	11	8	7	6
Total of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**28**	**28**	**30**	**31**
Percentage of total control by United States residents:									
Manufacturing	30	31	32	39	42	45	42	42	41
Petroleum and natural gas							67	73	73
Mining and smelting	32	42	38	37	51	54[r]	49	55	52
Railways	3	3	3	3	2	2	2	2	2
Other utilities	20	29	26	24	20	11[r]	7	6	4
Total of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**26**	**26**

[1] For years 1952 and 1953, see Table XIV, "The Canadian Balance of International Payments, 1957, and International Investment Position".
[2] Corporations engaged in the construction industry are included in the post-war period.
* Petroleum and natural gas industry not available separately. For treatment see note to Table XVI.
[r] Revised.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XV. Ownership and Control of Selected Canadian Industries,[1] 1954 - 1956

No.	Company classification	Estimated total investment	Investment owned in: Canada	United States	United Kingdom	Other countries
		millions of dollars				
	End of 1954[2]					
	Manufacturing:[3]					
1	Beverages	330	235	82	12	1
2	Rubber	134	30	94	10	–
3	Textiles	605	477	70	55	3
4	Pulp and paper	1,433	699	599	130	5
5	Agricultural machinery	155	98	57[4]	..	..
6	Automobiles and parts	292	62	228	1	1
7	Transportation equipment n.o.p.	245	161	47	37	–
8	Primary iron and steel	390	326	53	9	2
9	Electrical apparatus	402	121	250	20	11
10	Chemicals	654	233	285	121	15
11	Other	3,663	1,986	1,324	303	50
12	**Sub-total**	**8,303**	**4,428**	**3,089**	**698**	**88**
13	**Petroleum and natural gas**	**2,484**	**996**	**1,426**	**17**	**45**
	Mining:					
14	Smelting and refining of non-ferrous native ores	715	293	313	72	37
15	Other mining	1,148	521	580	32	15
16	**Sub-total**	**1,863**	**814**	**893**	**104**	**52**
17	**Total of above industries**	**12,650**	**6,238**	**5,408**	**819**	**185**
	End of 1955[2]					
	Manufacturing:[3]					
18	Beverages	385	282	89	12	2
19	Rubber	139	26	102	11	–
20	Textiles	594	472	65	55	2
21	Pulp and paper	1,442	715	589	132	6
22	Agricultural machinery	160	102	58[4]	..	..
23	Automobiles and parts	335	66	267	1	1
24	Transportation equipment n.o.p.	242	139	43	60	–
25	Primary iron and steel	438	371	57	8	2
26	Electrical apparatus	411	100	274	26	11
27	Chemicals	737	260	329	132	16
28	Other	4,011	2,155	1,450	334	72
29	**Sub-total**	**8,894**	**4,688**	**3,323**	**771**	**112**
30	**Petroleum and natural gas**	**2,961**	**1,107**	**1,716**	**31**	**10**
	Mining:					
31	Smelting and refining of non-ferrous native ores	785	338	326	74	47
32	Other mining	1,315	572	675	48	20
33	**Sub-total**	**2,100**	**910**	**1,001**	**122**	**67**
34	**Total of above industries**	**13,955**	**6,705**	**6,040**	**924**	**286**
	End of 1956					
	Manufacturing:[3]					
35	Beverages	383	282	87	12	2
36	Rubber	160	29	119	12	–
37	Textiles	588	460	70	56	2
38	Pulp and paper	1,617	759	721	129	6
39	Agricultural machinery	169	105	64[4]	..	..
40	Automobiles and parts	375	79	294	1	1
41	Transportation equipment n.o.p.	268	112	52	104	–
42	Primary iron and steel	549	463	71	11	4
43	Electrical apparatus	470	130	294	30	16
44	Chemicals	823	295	372	137	19
45	Other	4,540	2,442	1,633	360	105
46	**Sub-total**	**9,942**	**5,156**	**3,777**	**852**	**157**
47	**Petroleum and natural gas**	**3,500**	**1,225**	**2,063**	**72**	**140**
	Mining:					
48	Smelting and refining of non-ferrous native ores	844	358	347	81	58
49	Other mining	1,609	693	808	75	33
50	**Sub-total**	**2,453**	**1,051**	**1,155**	**156**	**91**
51	**Total of above industries**	**15,895**	**7,432**	**6,995**	**1,080**	**388**

[1] The figures in this table are subject to important statistical qualifications which are described in "Canada's International Investment Position, 192 1954" pages 68 to 70. It should be emphasized that book value series are based on corporate classifications. Consequently the entire investment in Canada a corporation and its subsidiaries is normally attributed to its principal activity; in the case of some industrial subdivisions this could have significant effect The corporate classifications of foreign investment used herein have been altered in some cases from those appearing elsewhere in this report to correspor more closely with the classification of estimated total investment. The equity of non-residents in the holding of Consolidated Mining and Smelting Company Canada Limited by Canadian Pacific Railway Company has been included under mining.

TABLE XV. Ownership and Control of Selected Canadian Industries,[1] 1954-1956

Total Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:			
Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	No.
millions of dollars			per cent							
264	47	19	71	25	4	—	80	14	6	1
9	112	13	22	70	8	—	7	84	9	2
497	58	50	79	12	9	—	82	10	8	3
623	648	162	49	42	9	—	44	45	11	4
101	54[4]	..	63	37[4]	..	..	65	35[4]	..	5
15	277	—	22	78	—	—	5	95	—	6
156	51	38	66	19	15	—	64	21	15	7
365	25	—	84	14	2	—	94	6	—	8
93	261	48	30	62	5	3	23	66	12	9
163	332	159	36	44	18	2	25	51	24	10
1,767	1,582	314	54	36	8	2	48	43	9	11
4,053	**3,447**	**803**	**53**	**37**	**9**	**1**	**49**	**41**	**10**	12
763	**1,671**	**50**	**40**	**57**	**1**	**2**	**31**	**67**	**2**	13
323	392	—	41	44	10	5	45	55	—	14
588	526	34	45	51	3	1	51	46	3	15
911	**918**	**34**	**44**	**48**	**5**	**3**	**49**	**49**	**2**	16
5,727	**6,036**	**887**	**49**	**43**	**7**	**1**	**45**	**48**	**7**	17
333	50	2	73	23	3	1	86	13	1	18
3	122	14	19	73	8	—	2	88	10	19
488	57	49	80	11	9	—	82	10	8	20
657	626	159	50	41	9	—	46	43	11	21
107	53[4]	..	64	36[4]	..	..	67	33[4]	..	22
13	322	—	20	80	—	—	4	96	—	23
108	44	90	57	18	25	—	45	18	37	24
404	34	—	85	13	2	—	92	8	—	25
76	279	56	24	67	6	3	18	68	14	26
174	373	190	35	45	18	2	23	51	26	27
1,899	1,779	333	54	36	8	2	47	45	8	28
4,262	**3,739**	**893**	**53**	**37**	**9**	**1**	**48**	**42**	**10**	29
623	**2,173**	**165**	**37**	**58**	**1**	**4**	**21**	**73**	**6**	30
246	539	—	43	42	9	6	31	69	—	31
659	610	46	43	51	4	2	50	46	4	32
905	**1,149**	**46**	**43**	**48**	**6**	**3**	**43**	**55**	**2**	33
5,790	**7,061**	**1,104**	**48**	**43**	**7**	**2**	**41**	**51**	**8**	34
334	47	2	74	23	3	—	87	12	1	35
5	141	14	18	74	8	—	3	88	9	36
477	61	50	78	12	10	—	81	10	9	37
741	685	191	47	45	8	—	46	42	12	38
111	58[4]	..	62	38[4]	..	..	66	34[4]	..	39
19	356	—	21	79	—	—	5	95	—	40
103	53	112	42	19	39	—	38	20	42	41
511	38	—	84	13	2	1	93	7	—	42
109	296	65	28	63	6	3	23	63	14	43
206	416	201	36	45	17	2	25	51	24	44
2,170	1,957	413	54	36	8	2	48	43	9	45
4,786	**4,108**	**1,048**	**52**	**38**	**8**	**2**	**48**	**41**	**11**	46
699	**2,570**	**231**	**35**	**59**	**2**	**4**	**20**	**73**	**7**	47
258	586	—	42	41	10	7	31	69	—	48
772	683	154	43	50	5	2	48	42	10	49
1,030	**1,269**	**154**	**43**	**47**	**6**	**4**	**42**	**52**	**6**	50
6,515	**7,947**	**1,433**	**47**	**44**	**7**	**2**	**41**	**50**	**9**	51

Revised.
Includes "Other enterprises".
Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in line 11.
Not available.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Selected Year Ends, 1926-1956

A. Petroleum and Natural Gas Industry not segregated[1]

Industry	1926	1930	1939	1948	1951	1952	1953	1954	1955	1956
	billions of dollars									
Total capital employed:[2]										
Manufacturing	3.1	3.9	3.5	5.7	7.3	7.8	8.6	9.3	10.0	11.
Mining and smelting	0.6	0.8	0.8	1.1	1.6	2.0	2.5	3.0	3.4	3.
Railways	3.5	4.0	3.4	3.4	3.6	3.8	3.9	4.1	4.2	4.
Other utilities	1.3	1.7	2.1	2.6	3.8	4.3	5.1	5.6	6.3	6.
Merchandising[3] and construction[4]	2.1	2.5	2.1	3.2	4.5	5.1	5.6	6.2	6.7	7.
Total of above	**10.6**	**12.9**	**11.9**	**16.0**	**20.8**	**23.0**	**25.7**	**28.2**	**30.6**	**34.**
Resident owned capital:										
Manufacturing	1.9	2.3	2.0	3.3	4.1	4.1	4.5	4.8	5.1	5
Mining and smelting	0.4	0.5	0.5	0.7	0.8	0.9	1.1	1.3	1.3	1
Railways	1.6	1.7	1.5	1.9	2.2	2.4	2.5	2.7	2.8	3
Other utilities	0.9	1.1	1.5	2.1	3.1	3.6	4.3	4.7	5.4	5
Merchandising and construction	1.9	2.3	1.9	2.9	4.1	4.6	5.0	5.6	6.1	6
Total of above	**6.7**	**7.9**	**7.4**	**10.9**	**14.3**	**15.6**	**17.4**	**19.1**	**20.7**	**22**
Non-resident owned capital:[5]										
Manufacturing	1.2	1.6	1.5	2.4	3.2	3.7	4.1	4.5	4.9	5
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.7	2.1	2
Railways	1.9	2.3	1.9	1.5	1.4	1.4	1.4	1.4	1.4	1
Other utilities	0.4	0.6	0.6	0.5	0.7	0.7	0.8	0.9	0.9	1
Merchandising	0.2	0.2	0.2	0.3	0.4	0.5	0.6	0.6	0.6	0
Total of above	**3.9**	**5.0**	**4.5**	**5.1**	**6.5**	**7.4**	**8.3**	**9.1**	**9.9**	**11**
United States owned investments:[5]										
Manufacturing	0.9	1.3	1.2	2.0	2.7	3.0	3.4	3.6	3.9	
Mining and smelting	0.2	0.3	0.2	0.4	0.7	1.0	1.3	1.6	1.9	
Railways	0.5	0.8	0.6	0.7	0.6	0.6	0.6	0.6	0.6	
Other utilities	0.3	0.5	0.5	0.4	0.6	0.7	0.7	0.8	0.8	
Merchandising	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	
Total of above	**2.0**	**3.0**	**2.6**	**3.7**	**4.9**	**5.6**	**6.4**	**7.0**	**7.6**	
Total Canadian and external investment in companies controlled outside Canada:										
Manufacturing	1.1	1.4	1.3	2.5	3.5	4.0	4.5	5.0	5.7	
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.7	2.2	
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other utilities	0.3	0.5	0.6	0.6	0.8	0.5	0.6	0.7	0.7	
Merchandising	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.5	0.6	
Total of above	**1.8**	**2.5**	**2.5**	**3.9**	**5.6**	**6.2**	**7.1**	**8.0**	**9.3**	**1**
Total Canadian and external investment in companies controlled in the United States:										
Manufacturing	0.9	1.2	1.1	2.2	3.0	3.4	3.8	4.2	4.7	
Mining and smelting	0.2	0.3	0.3	0.4	0.8	1.1	1.4	1.6	2.1	
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other utilities	0.2	0.5	0.6	0.6	0.8	0.5	0.5	0.6	0.6	
Merchandising	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	
Total of above	**1.5**	**2.2**	**2.2**	**3.5**	**5.0**	**5.4**	**6.2**	**6.9**	**7.9**	

See footnotes at end of table.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries — Concluded
Year Ends, 1954-1956

B. Petroleum and Natural Gas Industry segregated[1]

Industry	1954	1955	1956
	billions of dollars		
al capital employed:[2]			
anufacturing	8.3	8.9	9.9
etroleum and natural gas	2.5	3.0	3.5
ther mining and smelting	1.9	2.1	2.5
ailways	4.1	4.2	4.4
ther utilities	5.3	5.9	6.4
erchandising[3] and construction[4]	6.1	6.5	7.3
Total of above	**28.2**	**30.6**	**34.0**
ident owned capital:			
anufacturing	4.4	4.7	5.1
etroleum and natural gas	1.0	1.1	1.2
ther mining and smelting	0.9	1.0	1.2
ailways	2.7	2.8	3.0
ther utilities	4.6	5.2	5.5
erchandising and construction	5.5	5.9	6.6
Total of above	**19.1**	**20.7**	**22.6**
-resident owned capital:[5]			
anufacturing	3.9	4.2	4.8
etroleum and natural gas	1.5	1.9	2.3
ther mining and smelting	1.0	1.1	1.3
ailways	1.4	1.4	1.4
ther utilities	0.7	0.7	0.9
erchandising	0.6	0.6	0.7
Total of above	**9.1**	**9.9**	**11.4**
ted States owned investments:[5]			
anufacturing	3.1	3.3	3.8
etroleum and natural gas	1.4	1.7	2.1
ther mining and smelting	0.9	1.0	1.1
ailways	0.6	0.6	0.5
ther utilities	0.6	0.6	0.7
erchandising	0.4	0.4	0.5
Total of above	**7.0**	**7.6**	**8.7**
al Canadian and external investment in companies controlled outside Canada:			
anufacturing	4.3	4.6	5.2
etroleum and natural gas	1.7	2.3	2.8
ther mining and smelting	1.0	1.2	1.4
ailways	0.1	0.1	0.1
ther utilities	0.4	0.5	0.4
erchandising	0.5	0.6	0.6
Total of above	**8.0**	**9.3**	**10.5**
al Canadian and external investment in companies controlled in the United States:			
anufacturing	3.4	3.7	4.1
etroleum and natural gas	1.7	2.2	2.6
ther mining and smelting	0.9	1.1	1.3
ailways	0.1	0.1	0.1
ther utilities	0.4	0.4	0.3
erchandising	0.4	0.4	0.4
Total of above	**6.9**	**7.9**	**8.8**

[1] Investment in the Petroleum and Natural Gas Industry. Estimates for years prior to 1954 have not been constructed for Tables XII, XIV, or XVI grouping for the petroleum and natural gas industry as a whole, as is done for more recent years in these tables and for all years elsewhere in this report. Under pro- res in use earlier, components of the industry have appeared under four separate categories of investment. Concerns engaged in refining have been classified r manufacturing. Those engaged primarily in exploration and development of petroleum and natural gas have been included under mining and smelting. Con- s engaged primarily in the transportation of petroleum and natural gas, whether by pipeline or other means, have been shown as utilities, and those engaged arily in marketing and distribution have been included under merchandising. (For further explanation see page 33 of "The Canadian Balance of International anents, 1957, and International Investment Position").

[2] Based largely on reported statistics of capital employed 1926-1939 and estimated from "Taxation Statistics" and other sources for subsequent years (See stical Notes pages 68-70 in "Canada's International Investment Position, 1926-1954").

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad ive magnitudes only.

[4] Corporations engaged in the construction industry are included in the post-war period.

[5] For the post-war years the figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been ded with manufacturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, it should be recognized that some of the amounts of year to year nges, derived from the table as shown, may have only a limited significance and may from time to time be misleading.

Supplement to
Catalogue No.
67 - 201

A Supplement to "THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1958, AND INTERNATIONAL INVESTMENT POSITION"

Since "The Canadian Balance of International Payments, 1958, and International investment Position" went to press, additional statistical material has become available which brings forward and extends the data covered in this report. The material is contained in statements on the following pages.

UNIVERSITY OF TORONTO

Foreign Ownership and Control of Canadian Industry

Estimates of the book value of total investment in selected Canadian industries have now been completed for the end of 1957 and permit the calculation of ratios of foreign ownership and control at that date. Again in 1957, as in the previous year, more than half of the increases in the book values in the manufacturing industry, the petroleum and natural gas industry, and mining and smelting, were reflected in increased non-resident ownership and control.

In manufacturing, the ownership by residents fell from 52 per cent in 1956 to 50 per cent in 1957, while the capital controlled by residents fell from 48 per cent to 44 per cent of the total. Notable changes occurred in 1957 in the primary iron and steel category where Canadian ownership declined from 84 per cent to 76 per cent, and control from 93 per cent to 74 per cent. Canadian ownership of the transportation equipment industry, on the other hand, rose from 42 per cent to 53 per cent, reflecting stock issues and other financing carried out by a foreign-controlled concern in Canada. The growth of natural gas pipe lines controlled and financed in part in Canada, and the coincident renovation and expansion of natural gas distribution systems in which Canadian capital has been prominent, are reflected in an increase in Canadian ownership of the petroleum and natural gas industry, taken as a whole, from 35 per cent to 36 per cent, and a greater increase in the proportion of the industry controlled in Canada from 20 per cent to 24 per cent. Canadian ownership of mining and smelting also rose, from 43 per cent to 44 per cent, but control fell from 42 per cent to 39 per cent; the proportion of this industry controlled in overseas countries rose from 2 per cent in 1955 to 6 per cent in 1956 and further to 9 per cent in 1957 reflecting in part the development of British-controlled uranium enterprises. (The sub-divisions, smelting and refining of non-ferrous native ores, and other mining, are affected by the reclassification of a Crown corporation from the latter to the former classification).

Taking into account also railways, other utilities, merchandising, and construction, which are predominantly Canadian owned and controlled, non-resident ownership of the industries covered in the tables and comment rose during 1957 from 34 per cent to 35 per cent, and non-resident control rose from 31 per cent to 33 per cent. By contrast, at the end of 1948 these industries were 32 per cent owned and 25 per cent controlled by non-residents.

Direct Investment in Canada by Countries other than the United States and United Kingdom

Direct investment in Canada by countries other than the United States and United Kingdom amounted to $487 million at the end of 1957, having grown eightfold in the post-war years. Nearly 40 per cent of the increase since 1945 occurred in the two years between 1955 and 1957, when the book value rose by 50 per cent. This rate of growth was considerably higher than for either the United States or United Kingdom, although of course the amounts involved are smaller. By the end of 1958 these investments are estimated to have increased further to $525 million.

The statement on page 4 shows the geographic distribution of ownership of these investments at the end of 1955 and of 1957. It reveals the exceptionally rapid growth of direct investment by the Federal Republic of West Germany which almost quadrupled in the two year period. The next largest increases were in investments by Belgium, France, and Switzerland. Belgium was the leading country at the end of 1957 as in 1955. French direct investments grew to a larger total than those of Switzerland by the end of 1957, the two countries exchanging the second and third places. Germany followed. The largest part of Belgian investment was in the petroleum industry. French and Swiss investments were largely in the financial category, which also includes real estate ownership. German investments on the other hand were largely in the manufacturing field.

The figures do not include "miscellaneous investments" in real estate, mortgages, assets administered for non-residents, private investment companies, etc., which amounted to $213 million at the end of 1957. Some of these investments are similar in character to the direct investment covered in the statement.

Foreign Ownership and Control of Canadian Industry

Industry classification	TABLE XII Non-Resident OWNERSHIP as a percentage of selected Canadian industries 1957	TABLE XIV Non-Resident C as a percenta selected Cana industrie 1957
Percentage of total owned or controlled by all non-residents:		
Manufacturing	50	56
Petroleum and natural gas	64	76
Mining and smelting	56	61
Railways	30	2
Other utilities	15	5
Total of above industries and merchandising	35	33
Percentage of total owned or controlled by United States residents:		
Manufacturing	39	43
Petroleum and natural gas	58	71
Mining and smelting	46	52
Railways	11	2
Other utilities	12	4
Total of above industries and merchandising	27	27

TABLE XV Ownership and Control of Selected Canadian Industries, End of 1957

No.		Estimated Total Investment	Investment owned in: Canada	United States	United Kingdom
			millions of dollars		
	Manufacturing:				
1	Beverages	441	321	98	20
2	Rubber	177	28	136	13
3	Textiles	609	481	71	55
4	Pulp and paper	1,639	771	727	133
5	Agricultural machinery	171	103	68	...
6	Automobiles and parts	386	86	298	1
7	Transportation equipment n.o.p.	277	148	57	72
8	Primary iron and steel	557	422	79	51
9	Electrical apparatus	494	150	297	31
10	Chemicals	947	360	423	142
11	Other	4,896	2,415	1,937	405
12	Sub-total	10,594	5,285	4,191	923
13	Petroleum and natural gas	4,456	1,603	2,561	107
	Mining:				
14	Smelting and refining of non-ferrous native ores	893	411	350	70
15	Other mining	1,934	842	962	92
16	Sub-total	2,827	1,253	1,312	162
17	Total of above industries	17,877	8,141	8,064	1,192

IMPORTANT NOTE: The footnotes and qualifications given in the annual report are applicable to all these data.

E XVI. B Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, End of 1957

billions of dollars

Industry classification	Total Capital Employed	Resident Owned Capital	Non-Resident Owned Capital
Manufacturing	10.6	5.3	5.3
Petroleum and natural gas	4.5	1.6	2.9
Other mining and smelting	2.8	1.3	1.6
Railways	4.6	3.2	1.4
Other utilities	7.0	6.0	1.0
Merchandising and construction	7.7	7.0	0.7
Total of above	37.2	24.3	12.9

Industry classification	United States Owned Investments	Total Canadian and External Investment in Companies Controlled Outside Canada	Total Canadian and External Investment in Companies Controlled in the United States
Manufacturing	4.2	5.9	4.6
Petroleum and natural gas	2.6	3.4	3.2
Other mining and smelting	1.3	1.7	1.5
Railways	0.5	0.1	0.1
Other utilities	0.8	0.4	0.3
Merchandising and construction	0.5	0.7	0.5
Total of above	9.9	12.2	10.0

al Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:			
anada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other Countries	Canada	United States	Elsewhere outside Canada	No.
millions of dollars										
384	51	6	73	22	4	1	87	12	1	1
5	157	15	16	77	7	-	3	89	8	2
494	65	50	79	12	9	-	81	11	8	3
737	704	198	47	44	8	1	45	43	12	4
101	70	...	60	40	...	...	59	41	...	5
21	365	-	22	77	1	-	5	95	-	6
91	57	129	53	21	26	-	33	21	46	7
413	46	98	76	14	9	1	74	8	18	8
112	317	65	30	60	7	3	23	64	13	9
245	478	224	38	45	15	2	26	50	24	10
2,083	2,283	530	49	40	8	3	42	47	11	11
4,686	4,593	1,315	50	39	9	2	44	43	13	12
1,073	3,150	233	36	58	2	4	24	71	5	13
308	585	-	46	39	8	7	34	66	-	14
797	869	268	43	50	5	2	41	45	14	15
1,105	1,454	268	44	46	6	3	39	52	9	16
6,864	9,197	1,816	45	45	7	3	38	52	10	17

IMPORTANT NOTE: The footnotes and qualifications given in the annual report are applicable to all these data.

Direct Investment in Canada by Countries other than the United States and United Kingdom

End of 1955 and 1957

Country of Ownership	Book Value 1955	Book Va 1957
	millions of dollars	
Australia	6	6
Other Sterling Area	8	13
Sub-total Sterling Area excluding United Kingdom	14	19
Belgium	107	139
Denmark	7	7
France	64	91
Germany	14	54
Netherlands	9	23
Sweden	12	19
Switzerland	67	85
Other OEEC countries	3	4
Sub-total OEEC countries other than Sterling Area	283	422
Panama	7	10
Other Latin American countries	1	3
Sub-total Latin America	8	13
Other countries (1)	20	33
Total (2)	325	487

(1) Includes some $19 million in 1955 and $32 million in 1957 whose beneficial ownership has not been identified by country.

(2) Distribution of these totals by industry will be found in Table X, part D.

In Press

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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1959
AND
INTERNATIONAL INVESTMENT POSITION

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SYMBOLS

The interpretation of the symbols used in the tables throughout this publication is as follows:

— nil or less than $0.5 million (less than $50 million in case of tables in billions of dollars).

.. figures not available.

p preliminary estimate.

r revised figures.

x new series not strictly comparable with earlier years.

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1959:

Summary 5
Variability in Balance on Merchandise Trade 6
Rising Deficit on Account of Non-Merchandise Transactions 7
Quarterly Movements 8
Bilateral Changes 10
Major Components of the Current Account 14
Capital Movements:
Summary 29
Direct Investments 31
Transactions in Portfolio Securities 34
Other Capital Transactions 38

Canada's International Investment Position:

General Review 43
Foreign Financing of all Canadian Investment 47
Foreign Ownership and Control of Canadian Industry 49

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1953-59 5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1957-59 8
3. Foreign Exchange Rates: U.S. Dollar in Canada, 1958 and 1959 9
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1949-59 10

4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-59 11

4 B. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1959 14

5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-59 17
6. Adjustments to Merchandise Trade, 1958 and 1959 17
7. Major Components of Canada's Current Account with All Countries, 1951-59 18

7 A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1959 18

8. Travel Expenditures between Canada and Other Countries, 1948-59 19
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-59 20

9 A. Industrial Distribution of Dividend Payments on Direct and Portfolio Investments, 1958 21

9 B. Industrial and Country Distribution of Dividend Payments, Selected Years 1938-58 23

9 C. Industrial Distribution of Dividend Payments to Non-Residents, Selected Years 1939-58 24

9 D. Industrial Distribution of Dividend Payments to the United States by Canadian Companies Controlled in the United States, Selected Years 1938-58 25

10. Freight and Shipping Transactions between Canada and Other Countries, 1952-59 26
11. Miscellaneous Current Transactions with All Countries, 1952-59 29

11 A. Changing Character of Capital Movements, 1955-59 30

12. United States Direct Investment in Canada, 1946-59 32

12 A. Additional Detail of United States Direct Investment in Canada, 1958 and 1959 32

12 B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-58 34

13. Transactions in Canadian Securities between Canada and Other Countries, 1958 and 1959 36

13 A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1958 and 1959 37

14. Transactions in Foreign Securities between Canada and Other Countries, 1958 and 1959 38

14 A. Transactions with Non-Residents in Canadian Treasury Bills, 1959 39

15. Composition of "Other Capital Movements", 1946-59 42
16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-59 44
17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-59 44
18. Value of United States Investments in Canada, Selected Year Ends, 1926-59 44
19. Direct Investment in Canada by Countries other than the United States and United Kingdom, End of 1955 and 1957 45

TABLE OF CONTENTS – Concluded

Page

20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1958 46
21. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends, 1949-58 46
22. Canadian Investment in Latin American Republics, Selected Year Ends, 1954-58 47
23. Non-Resident Equity and Control of Canadian Direct Investments Abroad, Selected Year Ends, 1954-58 48
24. Foreign Financing of All Canadian Investment, 1946-59 49
25. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-59 50
26. Detail of Foreign Investment in "Miscellaneous Investments" Category, Year Ends, 1952-58 52

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1958 and 1959 55
II. Annual Statements of the Canadian Balance of International Payments, 1946-59 56
III. Current Account Between Canada and All Countries, 1926-59 59
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 60
V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-59 64
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-59 64
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-58 65
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58, by Type of Security and Nature of National Ownership 66
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58, by Type of Investment 68
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-58, by Type of Business 69
XI. Number of Canadian Concerns Controlled Abroad, End of 1958, by Country of Ownership and Type of Business 70
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57 70
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-59 71
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57 71
XV. Ownership and Control of Selected Canadian Industries, 1955-57 72
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends, 1954-57 74

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1959

Summary

The most outstanding features of the Canadian balance of payments in recent years have been the high levels of current transactions accompanied by a large imbalance on current account which has been financed by substantial inflows of capital. For a long period inflows of capital have consistently financed significant shares of investment in Canada and large amounts of inflows have been made up of transfers for direct investments initiated by non-residents as well as of borrowing by Canadian residents.

The deficits on current account have originated from transactions in both goods and services. In the case of the import balance from merchandise trade, these have fluctuated chiefly because of a greater variability in imports than in exports. Along with the deficit on merchandise trade there has been a growing imbalance from payments for services and other current transactions. This has represented a major proportion of the current account deficit in all but one year in the past decade.

In 1959 the imbalance from both merchandise trade and non-merchandise transactions rose raising the current account deficit from $1,131 million in 1958 to $1,429 million in 1959, a total only slightly less than the peak imbalance of $1,455 million in 1957. The deficit on merchandise trade more than doubled with a rise from $179 million to $380 million and the balance on non-merchandise transactions rose by more than 10 per cent from $952 million to a new high level of $1,049 million. While the deficit from merchandise trade was much less than in 1957, the deficit from other transactions was significantly larger than then and represented 73 per cent of the total. Increases in net payments arose from most types of transactions.

The rise in the current account deficit reflects higher economic activity both in Canada and abroad resulting from continued recovery from the recession of 1957 and 1958. The impact of rising demands was greater on imports of goods and services than on exports and was augmented by financial pressures affecting capital markets.

An unusual development in 1959 was the appearance of a deficit with overseas countries for the first time during the long period in which official balance of payments statements have been prepared. This current deficit with overseas countries of $214 million contrasts with surpluses formerly characteristic of transactions with this group of countries, and is additional to the current deficit of $1,215 million with the United States. The surpluses from transactions with overseas countries formerly characteristic had been contracting each year since 1952.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1953-59

Account	1953	1954	1955	1956	1957	1958	1959	Change in 1959
	millions of dollars							
Merchandise exports (adjusted)	4,152	3,929	4,332	4,837	4,894	4,887	5,153	+266
Merchandise imports (adjusted)	4,210	3,916	4,543	5,565	5,488	5,066	5,533	+467
Balance on merchandise trade	− 58	+ 13	− 211	− 728	− 594	− 179	− 380	−201
Other current receipts	1,339	1,307	1,518	1,784	1,621	1,550	1,643	+ 93
Other current payments	1,724	1,752	2,005	2,422	2,482	2,502	2,692	+190
Balance on non-merchandise transactions	− 385	− 445	− 487	− 638	− 861	− 952	−1,049	− 97
Current account balance	**− 443**	**− 432**	**− 698**	**−1,366**	**−1,455**	**−1,131**	**−1,429**	**−298**
Direct investment in Canada	+ 426	+ 392	+ 417	+ 583	+ 514	+ 420	+ 500	+ 80
Net new issues of Canadian securities	+ 189	+ 128	− 18	+ 526	+ 665	+ 519	+ 459	− 60
Net trade in outstanding Canadian securities	− 31	+ 63	− 27	+ 199	+ 92	+ 88	+ 202	+114
All other capital movements	− 141	− 151	+ 326	+ 58	+ 184	+ 104	+ 268	+164
Net capital movement	**+ 443**	**+ 432**	**+ 698**	**+1,366**	**+1,455**	**+1,131**	**+1,429**	**+298**

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

Capital inflows in 1959 were less concentrated in business forms of investment than formerly as more of the total was made up of sales of government and municipal bonds to non-residents. More of Canadian investment in 1959 was in social capital and in other forms financed by government than was the case several years earlier. The total of all private and public investment in Canada was slightly larger in 1959 than in 1958 but less than in 1957 when investments of business capital were heaviest. And with conditions in changing Canadian capital markets and high interest rates there was more borrowing abroad through sales of government and municipal bonds. At the same time capital inflows for business forms of investment still made up the largest part of the total, although less than in preceding years. Less of the current account deficit was financed by long-term forms of capital in 1959 than in the previous year.

In recent years foreign resources have been used to finance a third or more of net capital formation in Canada. In some areas of investment the use of foreign resources has been relatively much more than this and in some resource industries and sectors of secondary industry a major share of financing has been from abroad. This has led to the rising ratios of non-resident ownership and control of Canadian industries described in detail elsewhere in this report.

A direct effect of the sustained imports of capital has been a rapid rise in Canadian indebtedness to other countries. In the decade there has been a fourfold rise in net indebtedness to other countries, from $3.8 billion in 1949 to $15.3 billion at the end of 1959 with the largest part of this rise occurring during the second half of the decade. The principal factor leading to this change has been the rise in long-term investments in Canada owned by non-residents which have risen from $8 billion to $20.7 billion. Although non-resident ownership is widely distributed throughout Canadian business and public issues of securities, the heaviest concentrations have been in industry, particularly in petroleum, and mining and smelting, and in other basic resource industries and in some groups of secondary manufacturing.

Variability in Balance on Merchandise Trade

The balance on merchandise trade has varied widely from year to year during the past decade. With such high levels of both exports and imports it has not taken much relative change in either to produce much greater proportional variations in the balance. Thus, the import balance more than doubled between 1958 and 1959 as the rate of increase in imports was greater than in exports. But the import balance itself of $380 million in 1959 only represented a small ratio, less than 4 per cent, of a value of total merchandise trade of $10.7 billion. In the final quarter of 1959 just the opposite change occurred as a small export balance appeared from a greater rise in exports than in imports. Import balances, however, have been generally characteristic of the past decade as both the value and volume of imports have risen much more than exports.

A great many developments both at home and abroad play their part in bringing about these variations in the merchandise balance, as the influences of such broad and diverse changes come together in the balance of payments. And the long-run consequences of such major changes as have occurred are in turn obscured by the more immediate changes brought about by shorter run variations in relative economic activity in Canada and elsewhere. Thus, the resource and industrial expansion in Canada which has been characteristic of the past decade has contributed to higher levels of both exports and imports, although with unequal effects in the various stages of development. Likewise expansion abroad has created changing sources of supply as well as altered external demands for Canadian commodities.

Much of Canadian development in the past decade has been directed towards the creation of new export capacity as new resources have been opened up or additional capacity added to existing facilities of older basic industries. Some new investments have also been in areas where they displaced imports. The process of this growth and expansion has at the same time acted to extend Canadian demands for imported goods and services in many ways both directly and indirectly.

Increased export capacity has been particularly notable in such basic fields as minerals, metals and forest products and has been leading to more diversification in Canadian exports. With such a concentrated expansion in production facilities not all of the capacity has been fully engaged. There was, consequently, scope for the sharp rise which occurred in Canadian exports in the latter part of 1959 when demands from overseas countries as well as from the United States rose. Up until then exports had not changed greatly in total for several years, although substantial changes were occurring in the composition of the totals as some commodities rose while other commodities fell off.

Canadian imports in turn have been influenced to a marked degree by changes in economic activity in Canada, and in the various areas of demand so affected. Usually fluctuations in imports have been considerably wider than variations in Canadian economic activity. At the same time there has been a general rise in the level of Canadian imports which seems to reflect rising population, higher and more widely distributed incomes, and changing tastes and sources of supply for many kinds of imports. Imports of fully manufactured goods in recent years have made up more than three-quarters of the total and this type of import has been rising sharply from overseas sources as well as from the United States.

The periods of highest imports in recent years have coincided with periods of heaviest pressures of internal demands like 1956-57 and 1959. The peak total occurred in 1956 when imports of steel,

pipe and machinery required for investment projects were at their greatest. The total of imports for 1959 while only slightly less contained larger amounts of many consumer goods and other commodities than in 1956, although less of the investment goods and materials which were such a significant part of the earlier period.

Rising Deficit on Account of Non-Merchandise Transactions

Besides commodity trade Canada has a large and growing volume of payments for non-merchandise transactions with other countries. These groups of transactions have comparable effects upon the balance of payments to commodity exports and imports as they represent for the most part receipt and expenditure of current income.

Payments made by Canada for non-merchandise transactions have been growing more than receipts during the post-war period. During the 1950's the excess of these payments over receipts has trebled with the sharpest gains in the past five years. The deficit from non-merchandise transactions which was $344 million in 1950, and much less before then, has risen each year with the exception of 1952, and reached a level of $1,049 million in 1959. Statistics showing the main components contributing to these deficits appear in Statements 7, 7A, 8, 9, 10, and 11.

The range of services and other items covered by non-merchandise transactions is very wide as economic contacts between Canada and other countries have increased in many ways. There have been such effects as those from the spreading network of international investments and from higher incomes combined with increased mobility and closer communications. Increased migration has also played a part. There have also been significant groups of transactions connected with joint defence undertakings and economic aid. Thus, large parts of the non-merchandise transactions are related to Canada's rising balance of indebtedness to other countries, while other parts seem to accompany rising incomes in Canada and changing international responsibilities of the Canadian nation. To no small extent an expansion in the volume and range of expenditures on services is a concomitant of high incomes and living standards in the contemporary world.

The rising balance of Canadian indebtedness, both directly and indirectly, contributes to the deficit from non-merchandise transactions. Net payments of interest and dividends to non-residents are the chief direct effect. These amounted to $473 million in 1959 and in addition there were net payments of miscellaneous income items of $42 million. There were also payments to head offices and related companies abroad on account of business services of various kinds arising out of the existence of the investments. Payments of this kind have been rising rapidly and now exceed $125 million. Some of the payments are connected with the establishment of the investment, a stage when engineering and technical services provided by head offices or related sources are used extensively. Later when the investment becomes a going concern payments arise out of operations, these being made to cover head office charges for services of various kinds and payments for business services provided by related sources outside of Canada.

The area of expenditures where higher Canadian incomes combined with increased mobility have had the most apparent effects has been international travel. Canadian expenditures on travel in the United States and overseas have risen much more sharply than non-resident travel expenditures in Canada, and net payments amounted to $200 million in 1959. Wider ownership of automobiles in Canada and the increasing mobility which this brings have drawn many Canadian travellers to the United States, and the existence there of southern resorts and other year-round inducements to travel, combined with rapid communications have further stimulated the Canadian travel flow to the United States. The rapidly rising volume of Canadian travel overseas has been made possible by high incomes and widening facilities for extended travel. The large group of the Canadian population that has migrated to Canada during the post-war period has also increased the links with overseas and provided notable inducements for travel to the United Kingdom and Europe. On the other hand while non-resident travel to Canada has also been rising with a particularly notable rise in 1959, this has been rising less than United States travel overseas which has had the stimulus of new facilities including better communications to most parts of the overseas world.

Government expenditures have also been giving rise to net expenditures abroad in recent years in comparison with net receipts a few years earlier. For the most part these have arisen out of defence responsibilities and economic aid. While Canadian expenditures on official contributions of various kinds have been higher than formerly, there have been less expenditures by other governments on defence installations in Canada than occurred between 1955 and 1957. At the same time Canadian expenditures on the maintenance of military establishments in NATO countries abroad have continued to be substantial.

Various other factors have contributed to the rising payments to other countries. Deficits of significant size have arisen in recent years from freight and shipping transactions. These have been a reflection of changes in the direction and composition of trade as well as a growing dependence upon non-resident vessels for transportation as the Canadian merchant marine diminishes. Personal transfers from Canada of growing proportions have been the reflection of a large volume of migration in the post-war period. This has given rise to substantial remittances overseas by new residents and also to withdrawals of funds by outward migrants which exceed the large inward transfers of funds by immigrants.

The use of non-resident business services has been growing too for reasons not directly related to the establishment and growth of non-resident direct investments already referred to above. This often is a reflection of rising income creating new types of demands, changing technology, and a rise in the size and complexity of the business community and its needs. The rising costs of services which have often tended to lag behind other prices have also played a part in the higher levels of payments in recent years. It is also notable that gold production available for export, a substantial source of receipts classified among the non-merchandise transactions, has been subject for a long time to factors dampening its growth.

Quarterly Movements

The current account deficit which recorded a steady growth (after allowance for normal seasonal variations) during 1958, continued to rise in the first quarter, remained at the same level in the second, rose again in the third and fell sharply in the fourth quarter. Merchandise exports rose throughout 1959, while imports advanced for the first three quarters; and the singular development in the last quarter was attributable to a substantial rise in merchandise exports, a smaller decline in merchandise imports, offset in part by a gain in net payments on non-merchandise transactions. While the rising deficit was generally related to the higher levels of economic activity and incomes in Canada the decline in the final quarter partly reflects the special effects upon Canada's merchandise balance of industrial disputes in the United States together with heavy overseas demands for Canadian exports.

All the non-merchandise items, with the exception of migrants' funds and inheritances, contributed to the rising course in most quarters and in the year in the deficit on "invisible" transactions. The declining tendency in 1958 in gold production available for export was extended in 1959. The level reached in the second half of 1958 in the deficit on travel account was fairly well maintained during 1959, except for a temporary amelioration in the second quarter. Receipts on travel account stabilized after rising until the second quarter, while payments continued to increase, except for heavier travel expenditures due to the earlier incidence of Easter in the first quarter of the year. Deficit on income account rose irregularly during the year, as did receipts and payments of interest and dividends. Net payments on freight and shipping remained stable during the twelve month period from the third quarter of 1958 to the second quarter of 1959 followed by a rise to a higher level. Payments for freight and shipping services increased steadily during the period, while receipts, which had remained relatively unchanged during the year ending in the March quarter, increased irregularly thereafter. Deficit arising from migrants' funds and inheritances fluctuated within a narrow range in 1959 when net payments were somewhat lower than in 1958. Deficit on other current transactions rose during 1959 when receipts flowed irregularly, and quarterly increases occurred in payments, as compared with a generally unchanging level over the quarters in 1958.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1957-59

Country or area	1957				1958				1959			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
United States	−484	−565	−221	−309	−314	−389	−160	−313	−392	−365	−183	−27
United Kingdom	+ 19	+ 27	+ 45	+ 27	+ 1	+ 20	+ 20	+ 63	+ 12	+ 6	− 20	+ 4
Other sterling area	+ 10	− 8	− 12	+ 14	+ 37	+ 10	+ 5	+ 17	+ 27	− 11	+ 2	+
Other countries[1]	+ 18	+ 1	− 24	+ 7	− 16	+ 28	− 72	− 68	− 62	− 63	−104	− 5
All countries	**−437**	**−545**	**−212**	**−261**	**−292**	**−331**	**−207**	**−301**	**−415**	**−433**	**−305**	**−27**

[1] Includes other OEEC countries.

In each quarter of the year 1959 the imbalance in the current account financed by capital inflows was substantial. Actual deficits in each of the four quarters of $415, $433, $305, and $276 millions respectively were higher than in 1958 in all except the fourth quarter. The higher of these amounts have only been exceeded in a few periods of heavy pressures in the past.

Movements into Canada of capital in the long term forms shown separately in the quarterly estimates of the balance of payments have long tended to be less heavily concentrated in the early part of the year than the current account deficit. In 19 some 55 per cent of the current account deficit was incurred in the first half, while some 53 per cent of the capital inflow in long-term forms occurred

he same period. The relative difference had declined each year since 1953. In 1959 the direction of this trend was reversed. Relatively more of the current account deficit, 59 per cent, and relatively ess of the capital inflow in long-term forms, 48 per cent, occurred in the first half than in 1958. This change occurred despite the incidence of some extraordinarily large non-recurring capital inflows in the first half of 1959.

During the first quarter of the year when 29 er cent of the current account deficit was incurred, 4 per cent of it was financed by capital inflows in ong-term forms. Inflows of foreign direct investent capital were at their lowest level since 1955, ut there were large inflows from security transctions. The decline in the proportion of the current ccount deficit covered by long-term inflows from 4 per cent a year earlier reflected widening imalance on current account, as long-term inflows ncreased by almost a quarter. In the second quarter, hen 30 per cent of the current account deficit was ncurred, only 53 per cent was covered by long-term nflows in sharp contrast with the 98 per cent overed a year earlier. The second quarter was arked by a very sharp increase in inflows for direct nvestment. This included a substantial net moveent for the acquisition of existing Canadian-owned nterests in several concerns, although there were t the same time also several instances where anadians acquired from non-residents control of oncerns in Canada. The growth in direct investent inflows, however, was more than offset by a ecline in net sales of Canadian securities from ie extraordinarily high levels previously recorded.

The third quarter saw 21 per cent of the current ccount deficit, a somewhat higher proportion of ie year's total than is customary. Direct investent inflows fell to their lowest level since 1952 ut sales of Canadian securities rose, and inflows capital in long-term forms covered 83 per cent of the deficit. This was, however, the first year since the inauguration of official quarterly statistics of capital movements in which inflows in long-term forms in the third quarter failed to cover the deficit in this period. In the fourth quarter of 1959 this condition was reversed. After four consecutive quarters during which they covered a smaller proportion, capital inflows in long-term forms were 3 per cent larger than the current account deficit. The deficit in the fourth quarter fell below that in the third for the first time in many years, but inflows in long-term forms continued to rise. This change occurred despite a substantial quota payment in gold to the International Monetary Fund and reflected a very substantial growth of direct investment inflows to a near record. A smaller part of this movement than has been usual in periods of peak inflow in the past reflected non-recurring purchases of existing assets or anticipatory financing. Net sales of Canadian securities although somewhat reduced continued to reflect a very substantial inflow of capital.

The Canadian dollar continued to be in strong demand in the world's exchange markets in 1959. The price of the United States dollar in Canada fell from 96.44 cents at the end of 1958 to 95.22 cents at the end of 1959, the lowest year-end quotation for many decades. It moved through a high of 98.19 cents in February and a low of 94.56 cents in November, a trading range which was slightly wider than in 1958. In general the exchange value of the United States dollar in Canada rose until mid-February, then declined for more than eight months. A sharp rise of about one cent occurred in mid-November but was not sustained. The average noon rates from March to October were each lower than for the preceding month. Quarterly highs, lows and averages appear in Statement 3. The noon average for the year as a whole of 95.90 cents compared with 97.06 cents in 1958, and was about the same as in 1957.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1958 and 1959

Quotations reported on transactions between banks in the exchange market

Quarter	1958			1959		
	High	Low	Noon average	High	Low	Noon average
	Canadian cents per unit					
.....	99.16	97.44	98.11	98.19	96.47	97.05
.....	97.41	95.75	96.64	96.75	95.41	96.17
.....	98.28	95.84	96.70	96.00	94.66	95.45
.....	97.59	96.31	96.79	95.59	94.56	94.97
Year	**99.16**	**95.75**	**97.06**	**98.19**	**94.56**	**95.90**

Note: Closing Quotations: 1957, 98.40625; 1958, 96.4375; 1959, 95.21875.
Source: Bank of Canada.

Bilateral Changes

A characteristic bilateral pattern of the Canadian balance of payments, which lasted over a long period covering a number of decades, was the existence of large current surpluses with overseas countries which were used to settle current deficits with the United States. This pattern has been undergoing significant changes and in 1959 a deficit with overseas emerged for the first time in many decades.

In the earlier post-war years the prevailing pattern was accentuated by shortages of commodities overseas and by the process of rehabilitation then underway. In more recent years developments overseas have brought about many changes in world supply and these have contributed in many ways to the altered pattern in Canada's trade described below.

Recent changes in the pattern have been underway over a considerable period. Following 1955, while current surpluses with overseas continued to diminish, the current deficits with the United States shifted to much higher levels. Smaller surpluses with overseas countries resulted from a combination of growing deficits from non-merchandise transactions and a decline in surpluses from merchandise trade.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1949 - 59

Country or area	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	Change in 1959
	millions of dollars											
United States	−601	−400	−951	−849	−904	−807	−1,035	−1,639	−1,579	−1,176	−1,215	− 39
United Kingdom	+446	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 47	− 57
Other sterling area	+135	− 23	− 24	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	+ 24	− 45
Other OEEC countries	+176	+112	+218	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	− 102	−143
Overseas territories[1]	+ 9	− 4	+ 5	+ 7	+ 1	− 14	− 27	− 34	− 37	− 33	− 42	− 9
Other countries	+ 12	− 43	+ 12	+179	+ 72	+ 9	− 77	− 44	− 28	− 136	− 141	− 5
All countries	**+177**	**−334**	**−517**	**+164**	**−443**	**−432**	**− 698**	**−1,366**	**−1,455**	**−1,131**	**−1,429**	**−298**

[1] Overseas territories of other OEEC countries.

The declining tendency accelerated in 1959, when the current account balance with overseas countries changed from a surplus of $45 million in 1958 to a deficit of $214 million, as seen in Statement 4A. This turn-around in the balance developed from a rise of more than 10 per cent in the current payments and a virtual stability in the receipts between the two recent years. The gain in payments was both for merchandise imports and for non-merchandise transactions, with the former advancing more sharply.

In comparison with 1949, when Canada had current account surpluses with each of the overseas areas, modest credit balances remained in 1959 with the United Kingdom and the Rest of the Sterling Area, while fairly substantial current deficits developed with the other OEEC countries, their overseas territories and all other countries. These overseas countries contributed over 60 per cent of the $1.6 billion change during the eleven year period from a current account surplus of $177 million in 1949 with all countries, to a deficit of $1,429 million in 1959. Among the overseas group, the United Kingdom was responsible for 25 per cent and other OEEC and their dependent territories a further 20½ per cent of the change. The OEEC group of countries accounted for over 50 per cent of the 1959 rise in the current account deficit with all countries, when Canada's trade in goods and services with the other metropolitan OEEC countries recorded a deficit for the first time.

While commodity exports to the United States more than doubled between 1949 and 1959, exports to overseas countries increased approximately one-third, with the level of total shipments remaining unusually stable over the four years since 1956. Imports from overseas, which gained more strongly in 1959 than from the United States, more than doubled since 1949, which was a larger relative rise than has occurred in imports from the United States in the same period.

Following a decline in the previous year, receipts in 1959 from non-merchandise transactions with overseas countries recovered to about the level for 1956, and approximately 30 per cent above the total for 1949. Similar receipts from the United States were nearly 60 per cent higher than in 1949. Payments for services to overseas, which have risen steadily each year, were nearly 3 1/3 times the 1949 level, while payments to the United States had not quite doubled during the eleven year period.

In this period the balance on non-merchandise transactions with overseas countries turned from a surplus of a fair size to a heavier deficit, representing a net change of over $450 million in enlarged net payments. This increase for overseas countries did not quite match a rise in deficit of $475 million with the United States from the same group of transactions. Contributing to the growth in deficit with overseas countries have been higher payments on

STATEMENT 4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-59

Year	Merchandise exports[1]		Other current receipts[1]		Total current receipts[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,521	1,468	748	352	2,269	1,820	4,089
1950	2,046	1,093	831	270	2,877	1,363	4,240
1951	2,326	1,624	852	364	3,178	1,988	5,166
1952	2,346	1,993	928	391	3,274	2,384	5,658
1953	2,458	1,694	985	354	3,443	2,048	5,491
1954	2,355	1,574	951	356	3,306	1,930	5,236
1955	2,598	1,734	1,102	416	3,700	2,150	5,850
1956	2,854	1,983	1,161	466	4,015	2,449	6,464
1957	2,931	1,963	1,139	482	4,070	2,445	6,515
1958	2,908	1,979	1,102	448	4,010	2,427	6,437
1959	3,193	1,960	1,183	460	4,376	2,420	6,796
	Merchandise imports		Other current payments[1]		Total current payments[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,899	797	971	245	2,870	1,042	3,912
1950	2,093	1,036	1,184	261	3,277	1,297	4,574
1951	2,842	1,255	1,287	299	4,129	1,554	5,683
1952	2,817	1,033	1,306	338	4,123	1,371	5,494
1953	3,046	1,164	1,301	423	4,347	1,587	5,934
1954	2,800	1,116	1,313	439	4,113	1,555	5,668
1955	3,283	1,260	1,452	553	4,735	1,813	6,548
1956	4,021	1,544	1,633	632	5,654	2,176	7,830
1957	3,878	1,610	1,771	711	5,649	2,321	7,970
1958	3,443	1,623	1,743	759	5,186	2,382	7,568
1959	3,710	1,823	1,881	811	5,591	2,634	8,225
	Net balance — Merchandise trade		Net balance — All other current transactions		Net balance — Current account		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	− 378	+671	−223	+107	− 601	+ 778	+ 177
1950	− 47	+ 57	−353	+ 9	− 400	+ 66	− 334
1951	− 516	+369	−435	+ 65	− 951	+ 434	− 517
1952	− 471	+960	−378	+ 53	− 849	+1,013	+ 164
1953	− 588	+530	−316	− 69	− 904	+ 461	− 443
1954	− 445	+458	−362	− 83	− 807	+ 375	− 432
1955	− 685	+474	−350	−137	−1,035	+ 337	− 698
1956	−1,167	+439	−472	−166	−1,639	+ 273	−1,366
1957	− 947	+353	−632	−229	−1,579	+ 124	−1,455
1958	− 535	+356	−641	−311	−1,176	+ 45	−1,131
1959	− 517	+137	−698	−351	−1,215	− 214	−1,429

[1] Excludes Mutual Aid.

many accounts including travel, freight, government expenditures, personal remittances, official contributions and business services and miscellaneous income. Growing contacts between Canada and the United Kingdom and Western Europe, particularly in the spheres of defence, business and personal relationships have contributed to the rising level of net payments by Canada. It should be noted that this analysis and the statistics in Statements 4A and 7A do not include Mutual Aid to NATO countries in the form of shipments of military equipment and supplies or the provision of air training in Canada for these countries. This aid, which has been declining since reaching a peak of $284 million in 1954, amounted to $63 million in 1959.

Since the emergence in 1953 of a deficit on non-merchandise transactions with overseas countries, the export trade balances, while declining, were sufficient up to 1958 to more than offset the deficit each year. But in 1959, the rising deficit from "invisible" transactions continued together with a substantial fall in the export surplus. This meant that inflows of capital, principally from the United States, had to finance the current account deficit with the overseas world as well as the large deficit with the United States.

In the decade covered by the years from 1949 to 1958 Canada earned current account surpluses of $3,906 million from overseas countries and received net capital transfers in the same period in a furtner amount of $1,659 million. The total of $5,565 million over the ten year period is in sharp contrast with the change of 1959 when Canada experienced a current deficit of $214 million but received capital from overseas countries in a net amount of $237 million, or net receipts on account of all transactions with overseas countries of $23 million.

Following successive declines in the current account deficit with the United States of about 3½ per cent and 25½ per cent from a peak in 1956 of $1,639 million, the imbalance increased by roughly 3 per cent to $1,215 million in 1959. This change was the consequence of an extension in the non-merchandise deficit from $641 million in 1958 to $698 million in 1959, which was larger than the improvement in the import balance from $535 million to $517 million between the two years. Except for a smaller 1959 deficit in travel expenditures with the United States and a larger surplus in government account, the current deficits deepened with the United States for other non-merchandise items such as interest and dividends, freight and shipping, inheritances and migrants' funds, personal remittances, business services and miscellaneous income; and the value of gold production available for export was lower in 1959. The greater gain in travel receipts from residents of the United States could be traced to more numerous crossings into Canada together with higher average expenditure per visit. Larger net receipts in government account reflected in part an increase in current expenditures by the United States on defence installations in Canada.

After a minor decline in 1958 in merchandise exports to the United States, a substantial advance of nearly 10 per cent ensued to $3,193 million in 1959, highest level on record. At the same time a rise of nearly 8 per cent occurred in imports from the United States, but following a sharp decline in the previous year, the 1959 total of $3,710 million was considerably below the 1956 import peak of $4,021 million. Increased exports to the United States comprised commodities such as iron ore, semi-fabricated steel, copper ingots, uranium and other metals and minerals, and leading forest products like lumber, pulp and newsprint. Shipments of some of the above metals and products were affected by prolonged industrial disputes in the United States. Exports of cattle and beef fell, as normal factors of demand were restored in the United States, and shipments of aluminum and certain types of pulpwood were also lower.

Fairly large gains were recorded in 1959 in imports from the United States of non-farm machinery, tractors, automobiles and their parts, electrical apparatus and rubber, imports of many of which commodities had declined more moderately in the preceding year. Gains in imports of farm implements were higher in 1959 than in 1958, while imports of raw cotton, fuel oil, engines and boilers, rolling mill products, pipes, tubes and fittings declined for the second year.

The steady yearly easing evident since 1955 in the current account surplus with the United Kingdom was extended in 1959, when the surplus was reduced from $104 million in the previous year to $47 million. Roughly three-fourths of the contraction was attributable to merchandise trade, with the imports increasing $59 million, or 11 per cent, and the exports $15 million, or 2 per cent. The bulk of the growth in imports was concentrated in iron and its products, and within this commodity group in passenger automobiles, whose imports advanced over $30 million in 1959. Smaller gains were indicated in other iron and steel products, such as tractors and parts, engines and boilers, rolling mill products, in electrical apparatus and in fibres, textiles and their products; while minor losses were noted in pipes, tubes and fittings and non-farm machinery and parts. Shipments of uranium to the United Kingdom increased $19 million during 1959. Exports of iron ore, copper, zinc and asbestos were also higher, but shipments of other metals and mineral products such as nickel, platinum and carbon graphite electrodes were lower. Exports of medicinal preparations, drugs and chemicals were also reduced. All the main "invisible" items contributed to a moderately larger deficit, except inheritances and migrants' funds and the government account. A revision of regulations in the United Kingdom permitted larger transfers to Canada of legacies and emigrants' funds, and lower net government payments reflected smaller defence expenditures in the United Kingdom and the non-recurrent in 1959 of special tax refunds by the Canadian Government.

With the Rest of the Sterling Area, the current surplus eased down from $69 million to $24 million, somewhat below the average positive balance for the current 10-year period. With higher dividend receipts offset by larger gifts of wheat to India and Pakistan and more contributions under the Colom

Plan, the deficit from other "invisible" transactions was slightly larger in 1959. The 1958 merchandise trade surplus of $87 million, considerably above the level for recent years, was reduced to $47 million, as a consequence of a $30 million rise in imports, 3 times greater than the loss in exports during 1959. Gains were recorded in imports of unrefined sugar, crude and semi-fabricated rubber, fibres, textiles and products, fuel oil and crude petroleum. A decline in exports of rolling mill products of $13.5 million took place as shipments of railway rails to the Union of South Africa were smaller, and to India were not repeated in 1959; and exports of pipes and tubing to the latter country were reduced. Sales of lumber and passenger automobiles were lower to the Rest of the Sterling Area, while shipments of newsprint, pulp, aluminum and chemicals were moderately higher.

A pronounced downswing of $143 million in the current balance with other metropolitan OEEC countries transformed a surplus of $41 million in 1958 into a deficit of $102 million in 1959, while the deficit with their overseas territories increased slightly. With the small rise in the non-merchandise deficit spread over most of the "invisible" items, the unusually large turn-around in the current account balance issued from a heavy decline in exports together with a rise in imports, almost as big. The contraction of over $80 million, due to the non-recurrence in 1959 of the sizable shipments in the previous year of aircraft to the Federal Republic of Germany and to Belgium, accounted for more than the whole loss of $73 million in exports to the other OEEC countries. Shipments of wheat, seeds, pigs, ingots, blooms and billets of iron, copper, lead, and zinc were also lower, but exports of other non-ferrous metals and products, such as aluminum and nickel, asbestos, and some animal products were higher. More than 60 per cent of the $62 million increment in Canadian imports from other metropolitan OEEC countries was derived from iron and its products; and within this group, the largest increases occurred in automobiles and rolling mill products. Less substantial import gains were indicated in animals, fibres, textiles and their products.

A moderate deterioration in the balance on other current transactions, comprising relatively minor changes in a variety of services, was the factor raising the current account deficit with Other Countries from $136 million in 1958 to $141 million in 1959, as there was a minor improvement in the merchandise trade deficit. The comparative superficial stability, however, in the merchandise trade balance between the two years resulted from advances of $48 million and $39 million, respectively, in Canadian exports and imports. Exports to Japan expanded $35 million and to Poland $15 million, and more moderately to Colombia, Czechoslovakia and Iraq, while shipments were lower in 1959 to Brazil, China, Mexico, and the U.S.S.R. Increased sales to Japan comprised commodities such as wheat and flour, seeds, pulp, metals and minerals, and wheat and barley represented most of the additional exports to Poland. With respect to imports, Japan accounted for over $30 million of the rise, and Iran for another $11 million. Gains in imports from Japan covered electrical apparatus, apparel and a host of consumer goods, while crude petroleum accounted for the enlarged imports from Iran.

Capital movements are discussed in greater detail in a later section of this report. In brief the United States supplied $1,192 million, an amount large enough to cover 98 per cent of the current account deficit with it or 83 per cent of the deficit with all countries. Inflows of capital for direct investment in foreign controlled enterprises totalled $388 million which was $85 million higher than in 1958. Net inflows for the acquisition of Canadian stocks and bonds totalled $516 million, $12 million lower than in 1958. Outflows for direct and portfolio investment in the United States totalled $37 million in 1959 compared with $1 million in the previous year. Capital inflows in all other forms from the United States were $325 million in 1959 compared with $122 million in 1958. For the most part these amounts represented increases in net short-term liabilities.

Net capital inflows from the United Kingdom were $54 million in 1959 and $127 million in 1958. Among the factors contributing to the decline were the completion in 1958 of repayments on the Canadian loan of 1942, and unusually large outflows in 1959 for Canadian direct investment in the United Kingdom. Net capital outflows are characteristic to other sterling area countries and totalled $22 million in 1959 compared with $36 million in 1958 when there were large extensions of credit by Canada to finance the purchase of wheat and wheat flour. There were capital inflows of $199 million to Canada from other OEEC countries in 1959. The increase from $104 million in the previous year reflected larger transfers both for direct investment in Canadian enterprises and for the acquisition of Canadian stocks and bonds. The capital inflow from all other countries was also larger in 1959 than in 1958, an inflow of $6 million replacing an outflow of $16 million. Smaller Canadian outflows for direct investment abroad, and inflows from the sale of Canadian securities contributed to the change.

Taking into account Canada's overall balance of payments, it will be evident from the foregoing that the traditional triangular characteristic all but disappeared in 1959. Underlying this change have been significant developments in the world economic environment, led by the very real and substantial growth in the economic strength of Western Europe in recent years. These developments have been a major contributor to the changes in the balance of payments positions of most European countries on the one hand and both the United States and Canada on the other hand. The emergence of Western Europe as an increasingly efficient producer of goods and services was one factor in the sharp reversal of Canada's surplus of $41 million on current account with non-sterling area OEEC countries in 1958 to a deficit of $102 million in 1959, and a corresponding change in the United States position vis-a-vis non-sterling area Western European countries from a deficit of $791 million

in 1958 to one of $1,784 million in 1959.[1] Similar if more moderate changes are characteristic of the balances with other economic regions.

The changing conditions in the overseas world have led to a sharp contraction in the amounts of exchange which Canadian transactions with overseas countries made available for settlement of transactions with the United States, notwithstanding a substantial balance of net capital transfers to Canada. In 1959 net capital inflows from overseas countries of $237 million were nearly all required to finance the current account deficit of $214 million with these countries. There remained only $23 million, in contrast with $224 million in 1958 and a figure of $783 million as recently as 1956. In 1952 such multilateral settlements applied to the United States account amounted to over one billion dollars. The changing structure of Canada's balance of payments implied in the reductions of tnese inter-area transfers is reflected in Statement 4B.

STATEMENT 4 B. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1959

Item	1952		1959	
	millions of dollars			
Net receipts (+) from overseas countries				
Current account balance:				
United Kingdom and other sterling area countries	+502		+ 71	
Other overseas countries	+511	+1,013	−285	− 214
Capital transactions:				
United Kingdom and other sterling area countries	− 16		+ 32	
Other overseas countries	+ 10	− 6	+205	+ 237
Total balance settled by exchange transfers		**+1,007**		+ **23**
Net payments (−) to United States				
Current account balance		− 849		−1,215
Capital transactions:				
Direct and portfolio investments	+417		+867	
Other capital movements	−575	− 158	+325	+1,192
Total balance settled by exchange transfers		**−1,007**		− 23

Major Components of the Current Account

Merchandise Trade

The variability of the balance on merchandise trade has been referred to above. In 1959 the import balance increased to $380 million from $179 million in 1958 due to a larger increase in imports than exports. During the year imports rose 9 per cent while exports rose 5 per cent. The increase in exports in the latter part of the year to a new peak contrasts with the relative stability in total for several years while the rise in imports again showed a greater amplitude reflecting as it does changes in the Canadian economy associated with increasing activity and high incomes.

The import balance in 1959 was considerably less than the peak imbalance of $728 million in 1956 and $594 million in 1957. In those years the level of exports was significantly less than in 1959 while the import total was slightly more than in 1959 in 1956 and only slightly less in 1957. Industrial expansion in Canada in those years gave rise to special demands for some imports which have not recurred on the same scale, although imports of other commodities have been higher. At the same time increased export capacity was used in 1959.

Exports

During the three years 1956-58 the total value of Canadian exports was relatively stable. Within this period there were significant variations in the trend of different commodities, but the changes in these were mainly offsetting in annual totals. Some new or growing export industries contributed to these results as demands for other products receded. And some unusual factors played a special part in export shipments of some commodities.

But in 1959 a general upturn occurred which significantly increased the total value of exports. From a low volume in the first quarter exports rose

[1] **Source**: Survey of Current Business, June 1960 (United States Department of Commerce, Office of Business Economics). Amounts are expressed in United States dollars and include grants, excluding military transfers, of $315 million and $310 million respectively.

in the final quarter of the year to a new high level with increases in the latter period in demands from both the United States and overseas.

During the year as a whole a gain in exports to the United States of about 10 per cent was the chief factor in bringing the total to all countries to a new high level of $5,153 million, higher by 5 per cent than ever before. The increases in shipments by many basic export industries like forest products and metals were considerably more than this. In contrast, exports were appreciably less of some commodities like aircraft, cattle, and meat that had been unusually strong in the previous year due to special factors. There were also some declines in exports of agricultural products like grains and seeds.

The rise in exports to the United States brought the total to that country to a new peak of $3,193 million in 1959 which represented almost 62 per cent of Canada's total exports and about one-fifth of United States imports. The rise in United States demand was widely distributed among the main industrial materials usually exported there by Canada. This included substantial rises in major forest products and non-ferrous metals and some minerals including relatively new commodities like uranium. Exports of iron ore were up sharply and exports of steel products also rose sharply with the unusual demands resulting from the prolonged strike in the steel industry in the United States. Demand for Canadian copper was also enhanced by industrial disputes in the United States. Declines which did occur in exports to the United States in 1959 included agricultural products like grains, cattle and meat and aluminum and some fish.

While the total exported to overseas countries of $1,960 million in 1959 remained close to the total of the previous three years, there were some significant rises to individual countries. These included a sharp rise of one-third in exports to Japan and a gain of some 2 per cent in exports to the United Kingdom. But such increases were offset by a marked decline in shipments to Europe and lower levels to other Commonwealth countries and Latin America.

A gain in exports to the United Kingdom of 2 per cent to $781 million brought the total higher than in any peace-time year except 1956. The largest increase was in exports of uranium which more than doubled. Other increases were distributed among other industrial materials including iron ore, copper, zinc, asbestos and newsprint. Among agricultural products which were appreciably higher were tobacco, butter, cheese, and oil seed cake and meal. Other major exports like aluminum, wood pulp, wheat and flax seed remained largely unchanged while shipments of lumber, barley, nickel, lead, and chemicals were among those which declined during the year.

Exports to other OEEC countries had been unusually high in 1958 including substantial deliveries of military aircraft to West Germany and Belgium. As these special exports did not recur in 1959 the total was reduced sharply to $462 million by almost as much as the value of these deliveries. Changes in exports of other commodities were chiefly offsetting. While there were declines in wheat and seeds, some steel items and copper, lead, and zinc, there were gains in such commodities as aluminum, nickel, asbestos, some chemicals, and dairy products. Besides declines in totals to Belgium and Germany, mainly due to the absence of aircraft deliveries, there were lower totals to the Netherlands, France and Switzerland. In contrast, there were higher totals to Austria, Denmark, Italy, Norway, and Sweden.

Exports to the Rest of the Sterling Area at $289 million were slightly less in 1959 than in 1958. While numerous changes occurred in countries and commodities, these were largely offsetting. The largest reduction in the leading commodity, wheat, occurred in shipments to India compared with 1958 when large shipments had been financed under credit as well as aid arrangements. On the other hand there were substantial sales of wheat to the Union of South Africa in 1959, while the unusual wheat sales to Australia of the previous year did not recur. While exports of pulp and paper and non-ferrous metals and products rose, there was a decline in lumber sales and in automobiles and steel products. Exports to Commonwealth countries financed under the Colombo Plan and other forms of contribution rose from $49 million in 1958 to $64 million in 1959.

Trade with other countries rose substantially in total to $428 million in 1959 mainly due to sharp increases in shipments to Japan and to Poland. With Poland sales of wheat accounted for the change, while with Japan increases were distributed over a number of industrial materials as well as wheat. In contrast to these rises there were declines to Latin American countries as a group.

Imports

Merchandise imports have been more variable than exports in recent years, being responsive to changes in Canadian demands and economic activity. In 1959 there was a rise in the value of over 9 per cent and in volume of some 11 per cent, bringing the total value of goods imported to $5,533 million, not far from the peak figure of $5,565 million in 1956. Increases in imports which occurred in 1959 were widely distributed as is usually the case in a period of rising economic activity. Although the total value was less than in 1956, the volume of many imports in 1959 was greater than then, including some consumer goods and industrial materials of which examples are provided by food items, some textiles and automobiles and chemicals. On the other hand some commodities, on which there had been exceptional import dependence in the earlier period of concentrated expansion in business investment, were imported in significantly smaller volume in 1959. Examples of these are provided by primary steel, steel pipe, and some kinds of industrial machinery. Some of the increases between 1958 and 1959, however, were in the latter

group of commodities, although difficulties of supply due to industrial disputes in the United States tended to hold down the total. In addition there were larger imports of many industrial materials used by Canadian industry in a higher level of activity.

The rise in imports was widely distributed as to sources and there was, therefore, less concentration than formerly from the United States which took some 67 per cent of imports. The United States accounted for something more than one-half of the rise during the year but the rates of increase in imports from overseas sources of manufactured goods were much more. This applies particularly to imports from countries like the United Kingdom, most Western European countries and Japan which all supplied increasing proportions of Canadian imports.

With an increase of nearly 8 per cent, imports from the United States at $3,710 million were still less than in 1957 or 1956. It had been in those years that Canadian demands for steel pipe and many kinds of machinery bought in the United States were at peak levels. Imports of some of these commodities again fell in 1959 with changing demands as well as curtailed supplies in the United States. Increases which did occur in this kind of item in 1959 were less than the reductions which had taken place in 1958. But such increases in machinery and equipment represented large parts of the total rise in purchases from the United States. Increases also occurred in many other groups of commodities including automobile parts and other industrial materials and declines tended to be exceptional.

In the case of the United Kingdom imports at $596 million were higher than ever before, having risen by some 11 per cent in the year. About one-half of the rise was in imports of automobiles which again rose sharply following a steep rise in 1958. There were also substantial rises in tractors, electrical apparatus, and some other metal products, although machinery and pipe and aircraft were lower in value. A number of smaller increases occurred among other commodities including some in textiles and chemicals.

Imports from other OEEC countries and territories rose even more sharply than from the United Kingdom to a new peak of $419 million in 1959, some 20 per cent over the previous year. Again imports of automobiles made up a substantial part of the rise, but relatively more of the increases were spread among other commodities than in the case with the United Kingdom. Imports of textile products also rose substantially and there were increases in a variety of other manufactured goods including machinery, steel, and chemicals.

A rise also occurred in imports from the Rest of the Sterling Area to $242 million. This was chiefly due to larger purchases of sugar, rubber, and other agricultural commodities from various Commonwealth sources.

Imports from all other countries of $566 million were also higher in total in 1959. A good deal of the rise can be attributed to larger purchases from Japan which rose by 47 per cent, distributed among textiles, electrical apparatus, and a variety of other manufactured goods. On the other hand imports from Latin America were moderately lower than in the previous year with lower values of petroleum and of coffee and other primary products purchased from that region. Petroleum and products purchased from other overseas sources were in contrast higher.

Further more detailed analysis of Canada's international commodity trade will be found in the publication of the External Trade Section, *Review of Foreign Trade*, Catalogue No. 65-205, Annual.

Prices

Following a deterioration in the two preceding years, the terms of Canada's trade, or the ratio between the indexes of export and import prices, recovered in 1959, up to about the level reached in 1956, as the export prices gained nearly 2 per cent while the average of import prices declined by about the same amount. The gain of over 3½ per cent in the terms of trade in 1959 compares with a fractional loss in 1958 and a fall of 3 per cent in the preceding year.

The largest relative advance in 1959 of more than 3 per cent was recorded in the prices of agricultural and animal products, of nearly 3 per cent in iron and steel products, and of about one per cent in wood, non-ferrous metals and their products. Minor upward or downward changes took place in the export prices of fibres, non-metallic minerals, chemicals, fertilizer and miscellaneous products. The strengthening in the export prices occurred for the most part in the first and second quarters, after which the average of the prices remained stable. Within the year, the prices of many commodity groups and component items traced flat or irregular movements, but the prices of newsprint and non-ferrous metals advanced, while iron ore prices declined fairly sharply.

Contributing to the fall during 1959 of nearly 2 per cent in the average price of all imports were declines of 9 per cent in the prices of agricultural and animal products, of 5 per cent in fibres and textiles, of 4½ per cent in non-metallic minerals and of 1½ per cent in chemicals and fertilizer. Offsetting changes were recorded by minor increases in the import prices of iron and steel, wood products and paper; and non-ferrous metals gained moderately, while the prices of miscellaneous products rose more substantially. Average prices of all imports followed a downward course throughout most of the year, as did also the prices of iron and steel products, including rolling mill products and automobiles, non-metallic minerals, chemicals and fertilizer.

A general tendency for the price of the Canadian dollar to rise in foreign exchange markets during most of 1959 played a significant part in the above price trends.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-59

(1948 = 100)

Year and quarter	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.3	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.5	157.9
1956	121.4	113.0	107.4	128.5	187.5
1957	121.0	116.4	104.0	129.3	179.6
1958	120.6	116.5	103.5	130.4	165.6
1959	122.8	114.4	107.3	134.2	183.9
1958 I	121.0	119.0	101.7	115.0	149.7
II	121.0	116.5	103.9	136.4	176.7
III	120.2	115.4	104.2	131.0	158.3
IV	121.1	115.5	104.8	138.2	177.5
1959 I	122.1	115.6	105.6	110.3	160.9
II	122.9	114.7	107.1	140.9	204.5
III	123.0	113.9	108.0	135.0	181.7
IV	123.0	113.7	108.2	150.8	188.2

Note: Indexes indicate movements in unadjusted trade data.

Merchandise Adjustment

As statistics of merchandise trade generally cover movements of goods through customs channels, there are included some non-commercial and special transactions which have no international financial implications. These are either not relevant for balance of payments purposes, such as settlers' effects and imports of military goods on account of other countries, or are covered in other items in the balance of payments account, such as tourist exports. In addition private donations are also excluded because of their special character and the incomplete coverage of this type of transaction. In order to avoid duplication and to achieve a truer picture of the merchandise trade component of the balance of payments, it is thus necessary to adjust the regularly published statistics of the Trade of Canada;[2] and the character and magnitudes of the adjustments are shown in Statement 6.

In 1958 and 1959, the size of the net deductions did not change materially, and had the effect of reducing the deficit on merchandise account by $87 million and $94 million, respectively, from that shown by the Trade of Canada totals. In addition to the items appearing explicitly in Statement 6, there were other significantly variable adjustments covering transactions on wheat and on defence account and purchases of ships and aircraft.

[2] Commencing with the issue for January 1960 of the *Trade of Canada*, both Exports and Imports, some special items are excluded from totals of trade and shown separately in a new section "Special Transactions — Non-Trade".

STATEMENT 6. Adjustments to Merchandise Trade, 1958 and 1959

Exports	1958	1959	Imports	1958	1959
	millions of dollars			millions of dollars	
Domestic exports in trade returns	4,824.3	5,061.0	Imports in trade returns	5,192.3	5,654.2
Exports of foreign produce	102.0	118.6			
Total exports	**4,926.3**	**5,179.6**			
Adjustments:			Adjustments:		
Tourist exports	− 2.2	− 2.7	Tourist imports	− 78.9	− 81.0
Settlers' effects	− 29.6	− 36.1	Settlers' effects	− 33.1	− 28.5
Private donations	− 2.3	− 2.9	Advertising	− 8.7	− 9.0
Warehousing	+ 4.4	+ 3.7	Warehousing	+ 9.5	+ 20.9
All other adjustments	− 9.5	+ 11.0	All other adjustments	− 15.2	− 23.6
Total adjustments	**− 39.2**	**− 27.0**	**Total adjustments**	**− 126.4**	**− 121.2**
Merchandise exports (adjusted) (Table 1, item A1)	4,887.1	5,152.6	Merchandise imports (adjusted) (Table 1, item B1)	5,065.9	5,533.0

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1951-59

Account	1951	1952	1953	1954	1955	1956	1957	1958	1959	Change in 1959
	millions of dollars									
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,153	+266
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,533	+467
Balance on merchandise trade	**– 147**	**+ 489**	**– 58**	**+ 13**	**– 211**	**– 728**	**– 594**	**– 179**	**– 380**	**–201**
Gold production available for export	+ 150	+ 150	+ 144	+ 155	+ 155	+ 150	+ 147	+ 160	+ 148	– 12
Travel expenditures	– 6	– 66	– 63	– 84	– 121	– 161	– 162	– 193	– 200	– 7
Interest and dividends	– 335	– 268	– 239	– 276	– 323	– 381	– 435	– 444	– 473	– 29
Freight and shipping	– 3	+ 8	– 56	– 43	– 17	– 45	– 70	– 59	– 90	– 31
Inheritances and migrants' funds	+ 7	– 9	–	– 5	– 19	– 16	– 33	– 48	– 45	+ 3
All other current transactions	– 183	– 140	– 171	– 192	– 162	– 185	– 308	– 368	– 389	– 21
Balance on non-merchandise transactions	**– 370**	**– 325**	**– 385**	**– 445**	**– 487**	**– 638**	**– 861**	**– 952**	**–1,049**	**– 97**
Current account balance	– 517	+ 164	– 443	– 432	– 698	–1,366	–1,455	–1,131	–1,429	–298

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

STATEMENT 7A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1959

Country or area	Receipts		Payments		Net transactions		Net change
	1949	1959	1949	1959	1949	1959	1949-1959
	millions of dollars						
United States:							
Gold production available for export	139	148	–	–	+139	+ 148	+ 9
Travel expenditures	267	351	165	445	+102	– 94	–196
Interest and dividends	40	97	325	537	–285	– 440	–155
Freight and shipping	126	232	193	324	– 67	– 92	– 25
Inheritances and migrants' funds	18	48	44	113	– 26	– 65	– 39
All other current transactions	158	307	244	462	– 86	– 155	– 69
Total and balance on non-merchandise transactions	748	1,183	971	1,881	–223	– 698	–475
All overseas countries:							
Travel expenditures	18	42	28	148	– 10	– 106	– 96
Interest and dividends	43	86	65	119	– 22	– 33	– 11
Freight and shipping	177	190	60	188	+117	+ 2	–115
Inheritances and migrants' funds	50	61	15	41	+ 35	+ 20	– 15
Official contributions	–	–	6	71	– 6	– 71	– 65
All other current transactions	64	81	71	244	– 7	– 163	–156
Total and balance on non-merchandise transactions	352	460	245	811	+107	– 351	–458
All countries:							
Gold production available for export	139	148	–	–	+139	+ 148	+ 9
Travel expenditures	285	393	193	593	+ 92	– 200	–29
Interest and dividends	83	183	390	656	–307	– 473	–16
Freight and shipping	303	422	253	512	+ 50	– 90	–14
Inheritances and migrants' funds	68	109	59	154	+ 9	– 45	– 5
Official contributions	–	–	6	71	– 6	– 71	– 6
All other current transactions	222	388	315	706	– 93	– 318	–22
Total and balance on non-merchandise transactions	1,100	1,643	1,216	2,692	–116	–1,049	–93

Gold

The item "gold production available for export" at $148 million was considerably less than $160 million in the previous year. This series does not coincide precisely with the mine production which was only slightly less than in 1958, as it is co puted at a different stage. Excluded are changes stocks such as those held in safe-keeping at t Mint for the account of mines and other stocks producers. The item since November 1, 1951 h

reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April 1956 have been sales by mines not receiving financial assistance from the government, to non-residents or residents either for export or safe-keeping in Canada. The latter change followed removal of the remaining restrictions on the sale of gold in Canada or elsewhere announced by the Minister of Finance in March 1956.

Travel Expenditures

Although net payments on travel account increased further in 1959 to a new high level of $200 million from $193 million in 1958, there was a contraction in the gap between payments and receipts on United States account. The latter net payments declined to $94 million from $104 million as receipts from expenditures of United States visitors in Canada rose more than payments for Canadian travel in the United States. At the same time rising Canadian travel overseas led to a rise in the travel deficit with overseas countries from $89 million to $106 million.

Travel between Canada and the United States reached a new high level in 1959 as personal incomes and consumer expenditures continued to rise in both countries. Increasing personal mobility over the years as well as higher incomes has been an important factor in raising the volume of travel between the two countries. The rise in United States expenditures in Canada was much greater than has occurred in earlier years during the past decade and contrasts with the relative stability in some years and the decline which occurred in 1958. On the other hand the rise in Canadian expenditures in the United States continued throughout the decade and while substantial in 1959 was exceeded in several earlier years like 1952 and 1955. The rise in United States expenditures in Canada mostly occurred in the summer vacation season and was a reflection both of a larger volume of traffic and higher average expenditures. Increases occurred in both automobile traffic and in other movements of travellers. The rise in Canadian expenditures in the United States in 1959 mostly occurred in the first and third quarters of the year reflecting mainly southern and Easter travel in the earlier period and summer vacation movements in the latter. Gains in expenditures were greatest in travel by automobile and airplane. Shopping expeditions were apparently relatively less significant than in earlier periods as tax exempt tourist purchases in the United States declared at $72.8 million were not significantly different from the previous year.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948-59

Year	Account with United States			Account with overseas countries			Account with all countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
	millions of dollars								
1948	267	113	+154	12	21	- 9	279	134	+145
1949	267	165	+102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	-121
1956	309	391	- 82	28	107	- 79	337	498	-161
1957	325	403	- 78	38	122	- 84	363	525	-162
1958	309	413	-104	40	129	- 89	349	542	-193
1959	351	445	- 94	42	148	-106	393	593	-200

The widening in the deficit with overseas countries resulted from a sharper rise in Canadian travel overseas than has occurred in any post-war year except 1956. Most of the expenditures of $148 million by Canadians were in the United Kingdom and Europe and this trans-Atlantic travel accounted for most of the rise, although expenditures in the Caribbean and Central America and elsewhere overseas also continued to rise. The number of Canadians returning directly from abroad rose to 156,806

which is more than double the figure five years earlier. The sharp growth in overseas travel by Canadians appears to be a reflection of higher incomes, increasing facilities, and a larger population in Canada with close overseas connections. Travel to Canada from overseas continued to rise and was less subject to restrictions in expenditures but is still relatively much less than the movements of Canadians overseas.

More detailed presentations of statistics relating to Canadian international travel account will be found in the annual publication of the Balance of Payments Section, *Travel Between Canada and Other Countries*, Catalogue No. 66-201, Annual.

Income Account

As the income account includes payments and receipts of interest and dividends arising out of Canada's international investment position this item reflects some of the most direct effects of the growing indebtedness of Canada to other countries. Net payments of interest and dividends have usually been the largest single contributor to current account deficits, the only exceptions being the import balance on merchandise account in several years, 1956 and 1957 in the past decade. Net payments of $473 million in 1959 were higher than ever before comparing with $444 million in 1958, $307 million in 1949, and $249 million in 1939.

While net payments of interest and dividends are closely related to the rising balance of indebtedness of Canada to other countries. it will be observed that the rise in income payments has been much less than that in the balance of indebtedness. The balance of indebtedness had risen by the end of 1959 to more than four times the level at the end of 1949 and non-resident long-term investments in Canada had in the same period risen from $8.0 billion to $20.7 billion, whereas net payments of interest and dividends in 1959 were only higher by a little more than one-half in 1949. Although a close coincidence in the changes in such large and diverse aggregates is hardly to be expected, there would nevertheless seem to be evidently a significant lag in the net payments of income. Relationships between investments and income are complex and vary with the different forms of international assets and liabilities entering the investment position. Among the most immediate effects of borrowing through the sale of bonds abroad are interest payments on these securities held abroad, but even in this case the interest usually follows the change in investment by an interval of some six months. In the case of direct investments in the development of new resource industries some of the greatest lags occur as a considerable period of time may elapse before the investments mature to a point where regular remittances of income occur. This has been an important factor in such major areas of direct investment as petroleum and natural gas and mining where exceptionally large investments must be made over an extended period. Furthermore, in many industries substantial portions of earnings are normally retained in Canada for additional investment. Estimates of the profits retained on foreign direct investments in Canada 1946-1958 appear in Statement 12B, and comments appear below on the wide variations between remitted earnings and the capital invested in different groups of direct investments.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-59

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
	millions of dollars														
1946	8	39	101	149	-203	1	6	21	33	-47	13	57	125	187	-242
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	59	107	320	-347	2	12	16	57	-59	38	104	128	395	-381
1957	27	68	129	351	-385	2	8	17	61	-68	44	110	154	435	-435
1958	24	76	153	347	-400	25	7	18	58	-44	63	105	181	431	-444
1959	31	66	172	365	-440	24	10	19	61	-46	70	113	203	453	-473

Total payments of interest and dividends rose to a new peak of $656 million in 1959 from $612 million in 1958. The total in 1959 is made up of interest of $203 million and dividends of $453 million. Both are higher than in any earlier year and the rise of $44 million being evenly divided between the two reflects a proportionately much higher rate of increase in interest than in dividends. In addition, there were payments of $111 million of miscellaneous income which are included in the item, Miscellaneous Current Transactions, and as well substantial earnings retained in Canada which in recent years have not been less than several hundreds of millions of dollars annually.

The rapid rise in payments of interest reflects the large scale borrowing abroad through the sale of new issues of Canadian bonds and debentures to investors in other countries. Most of this borrowing has been through the sale of new issues of provincial, municipal, and corporation bonds. The rise in payments in three years has been from $128 million in 1956 to $203 million in 1959 and now exceeds the level of net payments of $180 million in 1931 which was the earlier peak.

Payments of dividends to non-residents rose by some 5 per cent in 1959 to a new peak of $453 million. Most of the increase occurred in dividends on direct investments but the total on portfolio investments also was larger, and some small increases occurred in payments to overseas countries as well as the main increase to the United States.

At $183 million, interest and dividends received by residents of Canada in 1959, which were up $15 million over 1958, were also larger than in any previous year, with both the receipts of interest of $70 million and of dividends of $113 million standing at the highest recorded levels. The rise of $7 million in interest receipts during 1959 originated in the United States, but dividend receipts from direct investments in this country fell about $10 million. Dividends received from subsidiaries in the United Kingdom gained slightly, while receipts from direct investments in the Rest of the Sterling Area recovered more than the sizable reduction which occurred in 1958.

Not included in the interest and dividend receipts are receipts of miscellaneous income which were estimated at $69 million in 1959, and are described in the analysis accompanying Statement 11.

Industrial Distribution of Dividend Payments

Statement 9A provides a breakdown by type of investment and industry of the 1958 dividend payments shown in Statement 9.

STATEMENT 9 A. Industrial Distribution of Dividend Payments by Canadian Companies on Direct and Portfolio Investments by Non-residents, 1958

Industry	United States			United Kingdom			Other countries			All countries		
	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total
	millions of dollars											
Manufacturing:												
Vegetable products	14.6	7.4	22.0	4.5	1.3	5.8	0.2	0.3	0.5	19.3	9.0	28.3
Animal products	2.8	0.2	3.0	0.1	—	0.1	—	—	—	2.9	0.2	3.1
Textiles	1.6	0.2	1.8	1.0	0.6	1.6	—	—	—	2.6	0.8	3.4
Wood and paper products	15.0	7.5	22.5	5.2	1.7	6.9	—	0.6	0.6	20.2	9.8	30.0
Iron and its products ..	57.0	2.6	59.6	1.8	1.0	2.8	0.1	0.4	0.5	58.9	4.0	62.9
Non-ferrous metals	21.1	0.9	22.0	0.1	0.3	0.4	0.1	0.4	0.5	21.3	1.6	22.9
Non-metallic minerals	4.2	0.2	4.4	0.4	0.1	0.5	—	—	—	4.6	0.3	4.9
Chemicals and allied products	19.8	0.5	20.3	5.2	0.2	5.4	1.2	0.1	1.3	26.2	0.8	27.0
Miscellaneous manufacturers	4.2	0.1	4.3	—	—	—	—	—	—	4.2	0.1	4.3
Sub-totals	140.3	19.6	159.9	18.3	5.2	23.5	1.6	1.8	3.4	160.2	26.6	186.8
Petroleum and natural gas	38.4	1.3	39.7	—	0.9	0.9	—	2.3	2.3	38.4	4.5	42.9
Mining and smelting	67.7	5.9	73.6	0.4	3.8	4.2	0.1	5.7	5.8	68.2	15.4	83.6
Utilities	3.3	13.3	16.6	0.4	12.8	13.2	5.0	4.2	9.2	8.7	30.3	39.0
Merchandising	20.9	1.0	21.9	5.7	0.3	6.0	0.1	0.1	0.2	26.7	1.4	28.1
Financial institutions	12.4	13.5	25.9	1.6	9.2	10.8	1.9	1.8	3.7	15.9	24.5	40.4
Other enterprises	8.5	0.5	9.0	—	—	—	1.1	—	1.1	9.6	0.5	10.1
Totals	**291.5**	**55.1**	**346.6**	**26.4**	**32.2**	**58.6**	**9.8**	**15.9**	**25.7**	**327.7**	**103.2**	**430.9**

Note: Dividends on direct investment include net profits of unincorporated branches amounting to $41.4 million, but not interest payments of $8.7 million to parent companies on funded debt.

Of the total dividends of $431 million paid to non-residents in all countries, $328 million, or three-quarters of the amount originated from direct investment and the remainder from portfolio investment in Canada. Dividends on direct investments include net profits earned by unincorporated branches in Canada of foreign companies as well as dividends of Canadian subsidiaries and other companies which have been paid out to non-resident shareholders. Inter-company payments in the form of interest on funded debt appear in the interest item while interest on inter-company borrowings and other unfunded forms of debt are included in the miscellaneous income segregated as part of the larger item "Miscellaneous Current Transactions". Statistics on portfolio investments include dividends paid by Canadian companies to shareholders who are non-residents of Canada. Income of Canadian companies not paid out but retained in Canada is not included in the case of either direct or portfolio investments. In the statistics which are analysed below dividends on direct investments paid by public companies in Canada controlled abroad include all dividends paid to shareholders residing in the country of control, whereas dividends paid by the same companies to shareholders residing elsewhere abroad are classified as dividends on portfolio investments. All the amounts shown are net of withholding tax paid to the Government of Canada, with the rates of tax varying between zero and fifteen per cent. It should be noted that some significant amounts of dividends accruing to non-residents are not shown in the statistics of dividend payments being included in the Miscellaneous Income Account of the item, Miscellaneous Current Transactions, mainly because of stock being held through intermediaries in Canada.

Dividend payments to the United States were preponderantly from direct investment, but portfolio investments accounted for over half and 60 per cent of the remittances respectively to the United Kingdom and to other countries; and over half flowed from manufacturing and utilities and nearly one-fifth from mining and smelting. A total of $160 million, or nearly half of dividend payments were on direct investment in the manufacturing industry, and within this group, the heaviest concentration was in iron and products, followed by chemicals and allied products, non-ferrous metals, wood and paper products and vegetable products. Utilities accounted for nearly 30 per cent of the dividend payments on portfolio investment of $103 million, manufacturing and financial institutions approximately one-half.

An amount of $347 million or more than four-fifths of dividend payments was received by non-residents in the United States, 13½ per cent by those in the United Kingdom and 6 per cent by those in the remaining countries. Of the dividend remittances to the United States, 84 per cent, or $292 million, was based on direct investment, and the industries responsible for over 70 per cent of the amount were manufacturing ($140 million) and mining and smelting ($68 million). Within manufacturing, the same five groups referred to above which accounted for over 90 per cent of the payments to all countries were responsible for the same proportion of the transfers to the United States. Portfolio dividend payments of $55 million were derived over one-third from manufacturing and nearly a quarter each from utilities and financial institutions.

More than 90 per cent of dividend payments of $26 million to the United Kingdom on direct investment were concentrated in manufacturing and merchandising, while 84 per cent of portfolio dividend remittances were derived from railways and other utilities, financial institutions and manufacturing. Nearly 60 per cent of the total of $26 million transferred to other countries in dividends originated from utilities, mining and smelting.

A review of the country distribution of the two types of investment within the industry groups clearly shows that with certain exceptions most of the dividends flowed to the United States. The entire amount of $38 million of dividends on direct investment in petroleum and natural gas was paid to the United States. Non-residents in the same country received more than 89 per cent of dividends from similar investments in mining and smelting, manufacturing, merchandising and financial institutions. The utilities group was the only one where less than 40 per cent of dividends on direct investment went to the United States, as non-residents in "other countries" received nearly 60 per cent. More than 70 per cent of dividends to non-residents from portfolio investment in manufacturing and merchandising was remitted to the United States; and between this limit and 35 per cent in financial institutions, utilities, mining and smelting. Between about 35 per cent and 50 per cent of the payments on portfolio type investment were to the United Kingdom in utilities and financial institutions, and to "other countries" in petroleum and natural gas and mining and smelting.

Analysts may seek some pattern of yields on foreign equity investment in Canada based on these industrial distributions. It should be pointed out, however, that special reservations must be attached to any such data. Wide variations occur in the ratios for different industries. Some of these arise from different practices with respect to transfers of earnings within individual enterprises. Normally substantial amounts of earnings are retained in Canada for further investment but variations in practices often give rise to major variations in the ratios of remittances because of this factor alone. Other complicating factors which affect the comparisons arise out of the capital structure of enterprises, their accounting practices and methods of operating. Some of these are outlined below.

A review of the material confirms, however that the net return on investments in the petroleum and natural gas industry is exceptionally low, a

might be expected from the stage of development and conditions in much of this industry. In contrast, mining shows the highest transfers relative to book values. Ratios for manufacturing and utilities lie in between these extremes. Analysis of the basic data also reveals that the behaviour of the units within each industrial category is so disparate as to destroy the usefulness of averages. Nevertheless the outlines which are derived are relatively clear and are additional evidence of the large amounts of foreign capital in Canada which have not yet given rise to significant debits in the income account.

Among the technical problems involved in interpreting the data is the fact that dividends paid abroad by Canadian companies may reflect the transfer of substantial earnings which themselves arose outside of Canada. Figures of foreign long-term investment **in Canada** used in this report are shown after a deduction to eliminate assets which lie outside Canada. But even eliminating the effects of this adjustment and producing figures on an industrial basis comparable with the statement of dividend payments and profit transfers by recording the book value of common and preferred stocks on a consolidated basis, including subsidiaries abroad, together with the net assets in Canada of unincorporated branches of non-Canadian corporations, there remain other difficulties. In the case of many wholly-owned subsidiaries in Canada of foreign corporations, it has been the practice to provide substantial amounts of long-term capital in the form of term or demand notes or even an open account. Sometimes the major part of the investment takes this form. In the case of some companies these obligations carry interest at normal rates, but in the case of others they are interest free. To the extent that the interest is lower than would be the case in a transaction at arms length it would be necessary to include an allowance for this debt before arriving at a satisfactory basis for the calculation of meaningful yields.

Another problem arises from variations in valuation practices which may exist between subsidiaries and public companies. There are some grounds for believing that the wholly-owned subsidiary often tend to carry assets at a more conservative figure than do public companies. Variations in valuation practices invalidate yield comparisons. Moreover in the case of the extractive industries a significant part of the total foreign investment is through unincorporated branches in Canada of non-Canadian corporations. As a general rule the statistical treatment which has to be applied to these undertakings is to record as a payment to the head office the net profit after taxes from the Canadian operations and to show an inward capital movement to the extent that transfers from Canada during the period did not fully account for the profits. As a result of this convention a larger part of the earnings of the extractive industries tends to be reflected in the income account than is the case with other industrial groupings.

The section in this report dealing with direct investment in Canada points out the difference in earnings distribution policy between privately and publicly owned companies. Even if satisfactory data on yields were available, a calculation of earnings ratios would necessitate the addition of withholding taxes, where applicable, and retained earnings; at the present time it is not possible to construct on a consistent basis an industrial distribution of the latter component.

STATEMENTS 9 B. Industrial and Country Distribution of Dividend Payments by Canadian Companies, Selected Years 1938 - 58

Industry	United States				United Kingdom				Other countries				Total outside Canada			
	1938	1946	1950	1958	1938	1946	1950	1958	1938	1946	1950	1958	1938	1946	1950	1958
	millions of dollars															
Manufacturing	49.5	78.0	210.4	159.9	11.6	9.8	18.9	23.5	0.6	0.4	0.7	3.4	61.7	88.2	230.0	186.8
Petroleum and natural gas	27.5	10.6	12.5	39.7	1.3	0.1	0.1	0.9	—	0.2	0.2	2.3	28.8	10.9	12.8	42.9
Mining and smelting	38.7	28.7	51.0	73.6	6.4	4.1	4.4	4.2	4.0	1.3	1.7	5.8	49.1	34.1	57.1	83.6
Utilities	4.4	13.8	13.7	16.6	5.2	11.8	9.0	13.2	0.4	1.2	1.0	9.2	10.0	26.8	23.7	39.0
Merchandising	4.2	6.0	15.2	21.9	0.6	0.7	0.8	6.0	0.4	0.2	0.2	0.2	5.2	6.9	16.2	28.1
Financial institutions	1.1	2.2	6.1	25.9	1.3	3.3	4.3	10.8	0.5	0.3	0.9	3.7	2.9	5.8	11.3	40.4
Other enterprises	0.6	1.9	6.9	9.0	0.1	0.1	0.1	—	0.1	—	—	1.1	0.8	2.0	7.0	10.1
Unclassified[1]	8.0	7.8	6.0	—	0.5	3.1	1.0	—	1.0	1.4	1.0	—	9.5	12.3	8.0	—
Totals	**134.0**	**149.0**	**321.8**	**346.6**	**27.0**	**33.0**	**38.6**	**58.6**	**7.0**	**5.0**	**5.7**	**25.7**	**168.0**	**187.0**	**366.1**	**430.9**

[1] Includes remittances of net profits by unincorporated branches, which are classified by industry only in 1958 when they totalled $41.4 million.

Long-term Trends in Dividend Payments

In a fairly long-term comparison shown in Statement 9B covering an interval of two decades, dividend payments of $431 million in 1958 were about 2½ times as large as the 1938 total of $168 million. Over this period, the proportion of remittances to the United States remained about 80 per cent, except in 1950. On the other hand, the relative share of the United Kingdom declined moderately while the proportion of dividend payments going out to other countries gained slightly between the two terminal years.

Industrially, manufacturing, mining and smelting and petroleum and natural gas accounted for 83 per cent of dividend payments in 1938, and 71 per cent, 82 per cent and 73 per cent of the total in 1946, 1950 and 1958, respectively. The relative share of payments derived from manufacturing rose, while the proportions accounted for by petroleum and natural gas and mining and smelting dropped substantially on account of the relatively high payments from the two groups of industries in 1938, which were affected by special circumstances at that time. Dividend payments to non-residents from the remaining industries tended to grow over the years.

As shown in Statement 9C, within the manufacturing group, approximately 90 per cent of dividend payments in each of the selected years arose from vegetable and animal products, wood and paper products, iron and its products, non-ferrous metals and chemicals and allied products. Of these groups, the proportions of dividend payments declined for vegetable and animal products and chemicals and allied products, and increased for the other three groups covering industries producing forest and metal products.

STATEMENT 9C. Industrial Distribution of Dividend Payments by Canadian Companies to Non-residents, Selected Years 1939-58

Industry	Total outside Canada				
	1939	1946	1950	1953	1958
	millions of dollars				
Manufacturing:					
Vegetable and animal products	22.6	23.9	42.8	26.2	31.4
Textiles	3.4	5.0	5.7	2.3	3.4
Wood and paper products	4.5	9.5	44.5	24.9	30.0
Iron and its products	9.4	20.2	66.3	34.6	62.9
Non-ferrous metals	5.1	15.4	29.3	26.3	22.9
Non-metallic minerals	2.7	3.5	11.6	8.4	4.9
Chemicals and allied products	13.5	10.1	23.4	19.5	27.0
Miscellaneous manufactures	0.5	0.6	6.3	5.0	4.3
Totals, manufacturing	**61.7**	**88.2**	**229.9**	**147.2**	**186.8**
Petroleum and natural gas	23.2	10.9	12.8	18.8	42.9
Mining and smelting	53.8	34.1	57.1	43.4	83.6
Utilities	8.5	26.8	23.7	28.2	39.0
Merchandising	5.5	6.9	16.2	15.0	28.1
Financial institutions	6.1	5.8	11.3	9.4	40.4
Other enterprises	1.4	2.0	7.0	5.8	10.1
Totals, non-manufacturing	**98.5**	**86.5**	**128.1**	**120.6**	**244.1**
Unclassified[1]	9.8	12.3	8.1	15.2	—
Totals	**170.0**	**187.0**	**366.1**	**283.0**	**430.9**

[1] Includes remittances of net profits by unincorporated branches, which are classified by industry only in 1958.

Trends in payments between 1950 and 1958 are of interest as a great increase has occurred in non-resident investments in Canadian industry in this period. In the earlier year total payments of dividends to non-residents were higher than ever before and were not exceeded again until the years 1956-59. The high level in 1950 was affected by changes in administrative factors influencing transfers of earnings from Canada at that time as well as a high proportion of earnings being remitted. It is notable

that dividend payments by manufacturing concerns in 1950 to non-residents were considerably higher than in 1958 whereas dividends paid out by all other industrial groups rose sharply between the two years, being in 1958 almost double the total in 1950.

Dividend payments to the United States by Canadian companies controlled in the United States (Statement 9D) accounted for about two-thirds of total dividends to all non-residents in 1939, 1946, 1953 and 1958, and more than three-quarters in 1950. Dividend payments arising from United States direct investments in Canadian manufacturing ranged between nearly 40 per cent of the total in 1939 and nearly 70 per cent in 1950, with the 1958 proportion sliding down to 48 per cent. The proportion accounted for by petroleum and natural gas fell from 21 per cent in 1939 to 13 per cent in 1958, as did mining and smelting from 30 per cent to 23 per cent. As already noted these payments in the earlier period were affected by special circumstances. The relative shares of these two groups were lower in 1950 at 4 per cent and 16 per cent, respectively. Dividend remittances from the group comprising merchandising, financial and other enterprises (other than utilities) more than doubled its relative share between 1939 and 1958.

STATEMENT 9D. Industrial Distribution of Dividend Payments to the United States by Canadian Companies Controlled in the United States, Selected Years 1938-58

Industry	1938	1939	1946	1950	1953	1958
	millions of dollars					
Manufacturing:						
Vegetable and animal products	..	11.3	14.5	27.1	13.6	17.4
Textiles	..	1.4	3.4	3.3	0.5	1.6
Wood and paper products	..	3.7	7.7	32.6	13.4	15.0
Iron and its products	..	8.3	19.1	63.5	31.3	57.0
Non-ferrous metals	..	4.8	14.9	29.1	25.6	21.1
Non-metallic minerals	..	2.2	3.0	10.8	4.7	4.2
Chemicals and allied products	..	9.6	7.6	19.9	15.7	19.8
Miscellaneous manufactures	..	0.5	0.6	6.2	4.9	4.2
Totals, manufacturing	**42.7**	**41.8**	**70.8**	**192.5**	**109.7**	**140.3**
Petroleum and natural gas	27.0	22.3	10.0	11.5	17.9	38.4
Mining and smelting	26.7	32.8	23.4	44.1	29.3	67.7
Utilities	3.5	4.7	7.8	6.0	6.4	3.3
Merchandising	5.3	6.0	8.0	25.3	19.5	20.9
Financial institutions						12.4
Other enterprises						8.5
Totals, non-manufacturing	**62.5**	**65.8**	**49.2**	**86.9**	**73.1**	**151.2**
Totals[1]	**105.2**	**107.6**	**120.0**	**279.4**	**182.8**	**291.5**

[1] Excludes minor "unclassified" transfers except in 1958, when net profits of unincorporated branches controlled in the United States, of about $35½ million were included and distributed industrially.

Freight and Shipping Transactions

The deficit on freight and shipping account increased to $90 million which is larger than in any earlier year. This change reflected in the main a widening in the gap on merchandise trade with a greater increase in payments than in receipts.

Larger payments for transportation resulted from the greater volume of imports particularly in the case of ocean transportation on the relatively sharp increase in imports from overseas countries. Larger payments were also made for the charter of foreign vessels and for inland freight in the United States on imports to Canada. Receipts from ocean shipping were less in 1959 with reduced revenues from the smaller fleet of Canadian owned and operated vessels, but expenditures of foreign ships in Canadian ports were higher along with larger inland freight earnings on Canadian exports by all types of carrier.

Most of the enlarged deficit was with overseas countries, foreign operators providing most of the additional transportation services carrying goods from overseas. A deficit with the United States was only slightly larger with both receipts and payments rising by about the same amounts.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1952-59

Item	1952	1953	1954	1955	1956	1957	1958	1959
	millions of dollars							
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	56	58	61	78	76	69	65	58
Charter receipts	13	7	3	9	20	21	9	4
Revenues between foreign ports	33	17	18	28	40	38	29	27
Sub-totals	102	82	82	115	136	128	103	89
Expenditures of foreign ships in Canada	43	41	35	45	48	44	43	48
Gross shipping receipts	**145**	**123**	**117**	**160**	**184**	**172**	**146**	**137**
Inland freight on exports	201	161	159	185	204	194	190	201
Intransit revenues	29	29	29	32	33	38	37	39
Other receipts	8	5	8	21	36	41	28	45
Gross receipts (Table 1, item A 6)	**383**	**318**	**313**	**398**	**457**	**445**	**401**	**422**
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	64	60	67	95	104	113	96	105
Freight on imports via Canadian ports	71	75	66	77	105	108	113	135
Gross shipping payments	**135**	**135**	**133**	**172**	**209**	**221**	**209**	**240**
Inland rail freight in U.S. on imports:								
Coal via vessel	48	48	39	40	53	50	34	36
Coal via rail	33	26	22	20	25	16	13	12
Other rail freight	117	121	112	121	143	142	114	121
Sub-totals	198	195	173	181	221	208	161	169
Miscellaneous payments	42	44	50	62	72	86	90	103
Gross payments (Table 1, item B 6)	**375**	**374**	**356**	**415**	**502**	**515**	**460**	**512**

Inheritances and Migrants' Funds

Developing deficits since 1953, a year of balance in this account, stood at $45 million in 1959, as a net result of a growth of 20 per cent in receipts and nearly 70 per cent in payments. In 1957, peak year of post-war immigration, the receipts of immigrants' funds and inheritances were 36 per cent above the 1953 total, when nearly 169,000 immigrants arrived in Canada. In 1957, nearly 40 per cent of over 282,000 immigrants originated in the United Kingdom, slightly smaller proportion from the OEEC countries, 4 per cent from the United States and 20 per cent from the remaining countries. Two years later, the much reduced total of about 107,000 immigrants was distributed 17 per cent from the United Kingdom, 55 per cent from the OEEC, 10½ per cent from the United States and 17½ per cent from the other countries.

Concomitant with the rise and decline in immigration and the maintenance of emigration at higher levels in the more recent years has been the increase in per capita migrants' funds. At the same time a small rise took place in payments of legacies and inheritances, while receipts of legacies rose fairly substantially following the removal by the United Kingdom authorities in early 1959 of restrictions on the transfer of legacies to Canada, including legacies blocked since 1951.

Miscellaneous Current Transactions

The deficit from miscellaneous current transactions stood at $389 million in 1959, up nearly 6 per cent over that of $368 million for the preceding year; and deficits were larger in 1959 for every item in the miscellaneous group, except other government transactions. The annual deficit from miscellaneous current transactions has grown fairly progressively since 1952, as shown in Statement 11; and the 1959 total was about 2¾ times as large as that of $140 million for 1952, and over twice the size of the deficit of $185 million for a year as recent as 1956. In this development, receipts from miscellaneous current transactions gained 38 per cent from $281 million in 1952 to $388 million in 1959, while payments advanced 85 per cent from $421 million to $777 million between the two years. Notwithstanding the substantial rise in the miscellaneous account deficit, however, its share of the imbalance from all non-merchandise transactions declined from 43 per cent in 1952 to 37 per cent in 1959, due to the diversity in the rates of change in the deficit from other "invisible" items.

The 6 per cent growth in 1959 in the deficit from miscellaneous current transactions resolved itself into increases of $13 million, or 3½ per cent, in receipts and of $34 million, or 4½ per cent, in payments. Receipts from government transactions

and from business services gained moderately, while payments increased fairly substantially for every item in the miscellaneous group, except government transactions, excluding official contributions.

Following an expansion of $18 million, official contributions paid by the Canadian Government reached a record level of $71 million in 1959. Over one-half of the total represented capital aid and technical assistance under the Colombo Plan, and more than one-third covered special grants of wheat to India and Pakistan for relief of food shortages, while grants of skimmed milk powder and of wheat flour to international agencies were continued for relief of children and the Palestine refugees in Middle Eastern countries.

The deficit from other government transactions fell sharply from $38 million in 1958 to $7 million in 1959 due to a small rise in receipts combined with a substantial decline in payments. Larger expenditures by the United States Government for defence installations in Canada, offset in part by shrinking receipts under special arrangements with certain European countries for provision of pilot training facilities in Canada, resulted in a net increase of $6 million in receipts. The payment in 1958 of large tax refunds and a moderate decline in defence service expenditures in the United Kingdom during 1959 accounted for the fall of $25 million in payments for other government transactions.

At $129 million in 1959, receipts from government transactions stood somewhat higher than in 1952, but receipts had reached peak levels of $192 million and $219 million in 1955 and 1956, when large expenditures were made by the United States defence authorities towards the installation of the Dew Line and for other defence construction in Canada. Payments on government account, other than official contributions, have also shown some irregularity over the years. These expenditures of the Canadian Government abroad expanded sharply between 1952 and 1953 with settlements for the costs of the Korean War. Thereafter with Canada's military commitments to NATO the total continued to grow until 1957, when the total reached $150 million. The extended rise in 1958 and the fall in the subsequent year reflect the extraordinary tax refunds in 1958, mentioned above.

Most of the payments in recent years have been related to defence activities; and about 60 per cent of defence expenditures outside Canada has been made in the OEEC countries to support NATO with provision of armed forces in the form of an Army Brigade Group and an air division of 12 jet fighter squadrons. There have also been cash contributions to the NATO Headquarters budget and to a common infrastructure programme of military construction, such as airfields, telecommunications networks, war headquarters, jet fuel pipelines and naval bases facilities. There has also been the Canadian share of the support to the United Nations Emergency Force in the Middle East. Among expenditures of civilian departments are included items such as the cost of Canadian diplomatic, commercial, and other departmental representation abroad, government advertising abroad, budgetary contributions to the United Nations and its specialized agencies and to international commissions, remittances of Canadian pensions abroad and payments for international transportation of mail and parcel.

Canada's contribution of Mutual Aid to NATO countries is in addition to the above expenditures, and is shown as separate offsetting items in the annual statements of current account. Declining fairly steadily since the 1954 peak of $284 million, contributions of $63 million in 1959 were down to about the level of the initial year of operation of the aid programme in 1950. The decline in mutual aid in 1959 was mainly ascribable to the continued reduction in the amount of equipment transferred from the Canadian forces. The cost of NATO aircrew training was also down with the conclusion of the original scheme during the year. Only contributions to infrastructure and NATO military budgets, chargeable to Mutual Aid, were maintained at the general level of the preceding few years. Since the inception in 1950 of the programme, the cumulative total of mutual aid extended up to the end of 1959 exceeded $1.6 billion. Because of the special character of this military assistance, Mutual Aid to NATO countries has not been reflected in current balances. Equal amounts are entered in annual current account statements with all countries in current receipts to cover the export of goods and services, and in current payments to represent the contributions. These special exports do not appear in totals in regular statistics of Canada's trade with NATO partners, nor in balance of payments statements with individual countries or groups of countries.

The deficit from "business services and other transactions" continued to increase in 1959 and stood at $198 million, following a larger advance in payments than in receipts during the year, when a recovery in level of economic activity took place. As compared with 1952, the deficit from this source was 45 per cent higher, representing the net result of a rise of 54 per cent in receipts and that of 49 per cent in payments, with the absolute value of the latter being more than twice that of the former both in 1952 and 1959. Receipts from business services and other transactions represented nearly two-fifths of the total receipts from all miscellaneous current transactions in 1952, and somewhat more than 40 per cent of the total for 1959. Business service payments accounted for nearly three-fifths of total payments for miscellaneous current transactions in 1952, but the proportion declined one-fifth in 1959.

Among some of the underlying influences behind the growth in these transactions during the past decade have been the sustained non-resident participation in Canada's vigorous resource development, typified by such activities as petroleum exploration

and drilling, construction of oil and gas transmission lines and widespread expansions of manufacturing facilities and utilities. The great extension of international direct investment and the varied investment programmes emanating from them have lead to the spreading of corporate relationship between Canada, United States, United Kingdom and Europe, and have been accompanied by a large international exchange of business services. Payments by Canada for services have been expanded more than receipts as investment movements in recent years have led to a greater growth in non-resident direct investment in Canada than in Canadian direct investments abroad. The effects of new investment on net payments for services have been both immediate and continuing. Large elements of costs for the initial investments have been incurred for non-resident design, engineering, consulting and other technical services used in the projects. And subsequent to the establishment of the direct investments, there are usually appreciable fees for royalties and management and the allocation of other non-resident head office expenses incurred in operations.

The range of specific items covered in this group of transactions is extensive, but may broadly be classified as business and personal services. As already pointed out some of the largest groups of these transactions are those between non-resident home offices and their branches, subsidiaries and other direct-investment affiliates in Canada. The payments for these transactions, covering import of technical know-how in the form of design and engineering services, industrial techniques and processes, together with, in some cases, the rental of special equipment and machinery, management, research and advertising, have been rising and in recent years have been above $125 million annually. There is also a great variety of payments and receipts for services between unrelated companies and persons in Canada and abroad for the growing exchange of commercial, financial and professional services, which are integral parts of Canada's business life. Included are items such as patents, licences, royalties, copyrights, trade-marks, franchises, commissions and other consulting and professional services. Earnings of migrant labour and international commuters are also entered in this account, and there are large entries for rentals of foreign films, for the expenditures of international airlines and other transportation expenses not forming part of the freight and shipping account, and for power transactions with the United States. Some international sweepstakes, trade union and insurance transactions are included in the item of business services, but these are not relatively large and are mostly offsetting, as most insurance transactions affecting the balance of payments are covered under miscellaneous income in the case of profit transfers and among security transactions in the case of capital movements.

Net payments on account of personal and institutional remittances continued to increase in 1959, when the deficit from this source was estimated at $71 million. Personal remittances cover noncommercial payments between Canadian residents and individuals resident abroad, and institutional remittances originate from charitable, religious and educational organizations. While this group of receipts has gained slightly, payments have nearly doubled between 1952 and 1959, when the total stood at $95 million. The waves of immigrants mainly from the United Kingdom and European countries and the sustained rise in the Canadian labour income in the post-war period have been elements in the growth of personal remittances. Since the end of World War II, nearly two million immigrants have landed in Canada up to the end of 1959, of whom about two-thirds arrived since 1952.

While the major part of investment income transfers is included in the Interest and Dividends Item there are a number of other income transfers covered under the Miscellaneous Income subgroup of the item Miscellaneous Current Transactions.

The miscellaneous income account comprises on the receipts side transfers by Canadian financial institutions of earnings from branch operations abroad along with other types of income receipt not included elsewhere. Payments cover remittances of profits of Canadian branches of foreign insurance companies; of interest on inter-company borrowing, bank loans, mortgages, savings balances and treasury bills; and of income by trust companies and other nominees administering non-resident estates or assets in Canada. The deficit from miscellaneous income transactions, which had not exceeded $10 million in the period before 1957, shifted up thereafter to a higher level of $30 million and over, owing to larger increases in payments than in receipts in the more recent three-year period. Among the receipts, profits of Canadian financial institutions from their operations abroad rose in 1957, and have continued to grow appreciably since. Substantial gains occurred in remittances of profits to head offices by foreign insurance companies operating in Canada, interest payments by subsidiaries on long-term loans and advances from non-resident parents, and transfers of income on non-resident assets managed by Canadian trust companies.

In 1959, the major share of the miscellaneous income receipts was derived from bank and insurance company profits, and a significant proportion of payments was accounted for by interest in inter-company and bank loans, insurance company profits and income from trust company-managed assets. Other smaller receipts include items such as loan and rental income and interest on non-government holdings of treasury bills, while some other items of miscellaneous income payments are interest on non-resident holdings of Canadian treasury bills, savings balances of banks, trusts and loan companies and mortgages held by head offices of non-resident insurance companies; income from securities and real estate held by non-resident investment corporations and individuals and profits of foreign shipping companies.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-59

	1952	1953	1954	1955	1956	1957	1958	1959
	millions of dollars							
Receipts:								
Government transactions, n.o.p.	122	149	118	192	219	160	123	129
Personal and institutional remittances	20	22	22	22	23	24	24	24
Miscellaneous income	31	30	33	47	54	55	71	69
Business services and other transactions	108	118	125	130	146	149	157	166
Totals (Table 1, item A 11)	**281**	**319**	**298**	**391**	**442**	**388**	**375**	**388**
Payments:								
Official contributions	16	25	11	24	30	40	53	71
Government transactions, n.o.p.	71	128	112	131	139	150	161	136
Personal and institutional remittances	50	55	65	71	79	83	85	95
Miscellaneous income	39	35	37	55	64	93	101	111
Business services and other transactions	245	247	265	272	315	330	343	364
Totals (Table 1, items B 9, 11)	**421**	**490**	**490**	**553**	**627**	**696**	**743**	**777**
Net payments:								
Official contributions	− 16	− 25	− 11	− 24	− 30	− 40	− 53	− 71
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	− 38	− 7
Personal and institutional remittances	− 30	− 33	− 43	− 49	− 56	− 59	− 61	− 71
Miscellaneous income	− 8	− 5	− 4	− 8	− 10	− 38	− 30	− 42
Business services and other transactions	−137	−129	−140	−142	−169	−181	−186	−198
Totals, net payments	**−140**	**−171**	**−192**	**−162**	**−185**	**−308**	**−368**	**−389**

Capital Movements

Summary

The emergence of the Canadian economy from a mild recession in 1958 and continued recovery and expansion in 1959 had an immediate impact on Canada's balance of payments. The enlarged imbalance reflected Canada's draughts, real and financial, on the rest of the world. The forms in which real resources were made available have been discussed in the sections dealing with the current account. The financing of this balance is shown in the capital account.

Another aspect of Canada's international financial relationships reflected in the capital account, which has at times been important, is the extent to which other countries have served Canada not only as a source of capital but as a capital market, from which Canadians have drawn foreign savings but into which, at the same time, they have directed savings with different characteristics. This role, which is not dissimilar from that of financial intermediaries in the domestic capital market, is often not as clearly recognized as the relationship between the net movement of financial capital and its counterpart in goods and services.

In the period from 1946 to 1949 Canada had a current account surplus aggregating $1,040 million. The existence of this excess of Canadian savings over domestic requirements did not however eliminate Canadian imports of foreign savings, as witness, for example, net direct investment inflows aggregating $266 million. A decade later Canada incurred current account deficits aggregating $5,381 million in the four year period ending 1959. Nevertheless during this period of heavy demand for funds in Canada, Canadian savings flowed abroad in net amounts of $290 million for Canadian direct investment abroad, $25 million to acquire additional foreign securities, and $688 million to add to Canadian (non-official) holdings of foreign exchange, as well as into some other forms.

Under the conditions existing in recent years the intermediary role was, of course, overshadowed by the sheer magnitude of the imbalance, but it will be recognized that the forms taken even by a preponderantly unidirectional capital movement have implications for short-term international liquidity, for the possibility of future transfer problems and for the long-run trend of ownership and control of industry.

Financial conditions in Canada in 1959 reflected the growing demand for funds which naturally accompanies economic expansion and recovery. They also reflected a number of other influences of a more deep-seated nature which were at work both at home and abroad.[3] Interest rates and bond yields were higher in 1959 than in 1958, and the differentials between rates in Canada and in the United States tended to be wider.

[3] For a review of financial developments see the Budget Papers presented in connection with the Budget of 1960-61 (reprinted with the official report of House of Commons Debates, March 31, 1960).

Movements of capital for direct investment, portfolio stocks and bonds, official loans, and other long-term investments, led to a slightly lower inflow than in 1958. They were adequate to finance only about 74 per cent of the rising deficit on current account in 1959, compared with 98 per cent in 1958. Canada incurred a deficit on current account in nine of the fourteen years since World War II. Only in 1955 and in the years from 1957 to 1959 was the inflow in long-term forms less than the deficit, and over the fourteen years as a whole it was larger. Only in 1955 was a lower percentage than in 1959 met by net capital inflows in long-term forms. That year the deficit was less than half the size it was in 1959, and the capital inflow in short-term forms was smaller in amount than in 1959.

In general, the seasonal pattern characteristic of recent years continued. More than half of the current account deficit, but relatively less of the capital inflow in long-term forms, occurred in the first half of the year. The relative difference increased in 1959 compared with 1958 and 1957. In 1959 some 59 per cent of the current account deficit occurred in the first half, while 48 per cent of the inflows in long-term forms occurred in this period. In 1958, 55 per cent of the deficit and 53 per cent of the capital inflows in long-term forms occurred in the first half, and the relative difference was smaller than in most recent years.

Capital inflows taking the form of increases in the outstanding net external long-term debt of the various levels of government in Canada rose again in 1959 both in absolute terms and relatively. At the same time, despite the greatly increased current account deficit, the net inflows in other long-term forms, mainly business investment, contracted. These trends have been characteristic of the Canadian balance of payments for several years and are shown clearly in Statement 11A.[4] It will be noted that despite the contraction, investment inflows from non-residents into Canadian businesses amounted to $671 million, and the growth of these investments was much larger because of the substantial amounts of earnings ploughed back.

Turning to the more conventional presentation, the net inflow of foreign capital for direct investment in foreign-controlled enterprises in Canada totalled $500 million, and transactions in portfolio Canadian securities led to a further inflow of $661 million. These two groups of transactions added $1,161 million to Canadian external liabilities in long-term forms. In 1958 direct investment added $420 million and Canadian securities $607 million, a total of $1,027 million. On the long-term asset side in 1959 there were outflows of $70 million for Canadian direct investment abroad and of $36 million for the purchase of foreign securities, which were partially offset by net repayments of $33 million on post-war loans extended by Canada to overseas countries. This net outflow of capital amounting to $73 million compared with a net outflow of $15 million in 1958. A non-recurring type of long-term outflow in 1959 was a gold payment of $59 million to the International Monetary Fund as part of Canada's increased quota.

[4] The figure for governments in 1959 takes account of the gold portion of Canada's increased quota in the International Monetary Fund: excluding this transaction, which was financed directly by a transfer from official holdings of gold regarded as short-term, the increase of net external long-term debt of governments would have been $523 million.

STATEMENT 11A. Changing Character of Capital Movements, 1955-59

	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
	millions of dollars					percentage				
Transactions with non-residents affecting:										
Net external long-term debt of Canadian governments[1]	-173	291	217	323	464	- 25	21	15	29	32
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	671	88	79	76	65	47
Canadian long-term investments abroad excluding investments by governments (increase, -)	- 80	- 102	- 62	- 45	- 106	- 11	- 7	- 4	- 4	- 7
Other external liabilities, net	337	95	196	119	400	48	7	13	10	28
Total capital inflow	**698**	**1,366**	**1,455**	**1,131**	**1,429**	**100**	**100**	**100**	**100**	**100**

[1] Increase in holdings by non-residents of Government of Canada, provincial and municipal bonds, less net repayments on intergovernmental loans and subscriptions in gold and foreign currencies to international financial organizations.

Transactions in the long-term forms described above, together with those appearing in Statement 15, led to a net capital import of $1,062 million in 1959 compared with $1,112 million in 1958 and larger amounts in the two previous years. The decline of 4 per cent in 1959 may be contrasted with the increase of 26 per cent in the current account deficit. Including changes in Canadian dollar holdings of non-residents, and in official holdings of gold and foreign exchange, other capital movements led to a net inflow of $367 million in 1959, in contrast with a net inflow of $19 million in the preceding year of easier demand pressures.

The United States supplied a slightly smaller amount of capital in long-term forms in 1959 than in 1958. It is striking that despite changes in the composition, this movement has varied in the last four years by only $69 million or about 8 per cent from the lowest to the highest level. The United States share of the total was 85 per cent in 1959, 83 per cent in 1958.[5] The capital in long-term forms supplied by the United Kingdom represented about 7 per cent of the movement in 1959 compared with about 15 per cent in 1958. Most of the change reflected two developments, the completion in 1958 of repayment of the Canadian loan of 1942, and unusually large outflows from Canada in 1959 for direct investment in the United Kingdom. Net inflows in long-term forms from other overseas countries, on the other hand, were much larger in 1959 for both direct and portfolio security investments, and there were no large extensions of intergovernmental loans. As a result the amount and the proportion of the net long-term inflow attributable to these countries rose sharply.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1959 amounted to $500 million. This compares with $420 million for 1958. It was exceeded only in 1957, and in 1956 when a record of $583 million was established. Some special factors contributed to the high level in 1959, and must be taken into consideration in assessing its significance.

Capital movements for direct investment include a great variety of transactions, large and small, inwards and outwards, recurring and non-recurring. They include funds to finance capital formation in Canada involving the use of Canadian labour, machinery and equipment. They include the financing of machinery and equipment imported from outside Canada, ranging from small components to massive installations of custom built equipment. They include the acquisition from residents of existing assets, such as land, or buildings, or going concerns. They include the provision of basic working capital necessary to finance normal inventory investment, receivables from customers, etc. The net movement of $500 million in 1959 contained amounts directed to all these purposes. A few undertakings accounted for some $200 million of the total, half covering non-recurring transactions, and half the peak level of some major developments. While some parent companies were supplying additional capital to finance expansion in Canada, others found that the funds generated in Canada from earnings, depreciation, etc., were greater than their forseeable needs in this country and there was some significant return of capital from Canada.

It is never possible to measure precisely the part of direct investment inflows devoted to new capital formation or investment in a physical sense. While some transfers occur specifically for the purpose of acquiring existing concerns, property, etc., others represent only an additional source of financing for active companies which are constantly acquiring or disposing of existing interests, or are shifting the nature of their financial liabilities, from one form to another, in accordance with changing circumstances. Despite difficulties of measurement, there is evidence that most if not all of the increased net movement to Canada in 1959 of foreign direct investment capital was related to the acquisition of existing assets rather than to new capital formation. It is interesting to note that foreign direct investment inflows rose by 19 per cent in 1959 while business gross fixed capital formation remained relatively unchanged.

Net inflows from the United States rose by 28 per cent, or by $85 million, to $388 million in 1959. A drop of 30 per cent or $26 million occurred in inflows from the United Kingdom, which amounted in 1959 to $61 million, while inflows from other overseas countries rose by 70 per cent or $21 million to total $51 million in 1959. Geographically in 1959 78 per cent of the net movement was from the United States, compared with 72 per cent in 1958. The United Kingdom supplied 12 per cent in 1959 compared with 21 per cent a year earlier, and other overseas countries 10 per cent compared with 7 per cent.

Industrially most of the increase in 1959 in net inflows to Canada of foreign direct investment capital was for manufacturing, accounting for about one quarter of the net movement during the year. A substantial part represented the purchase by non-residents of existing interests in the field of automobiles and sugar. In 1959 for the second successive year there was a reduction in the net inflow to the petroleum and natural gas industry. This no doubt reflected the moderation in rate of growth undertaken by the industry. However, the drop was largely offset by increased inflows for mining. Some of the new major developments in mining probably approached in 1959 a peak level of capital expenditure. Together petroleum, natural gas and mining accounted for about 60 per cent of the net movement. This was a smaller proportion than in 1958 when these industries received about three-quarters of the total movement, although a part of the difference is explained by the special inflows for manufacturing in 1959. Other significant inflows occurred for investment in financial concerns, property, etc.

[5] Canada's increased quota in the International Monetary Fund has not been regarded as a transaction with the United States in these calculations.

STATEMENT 12. United States Direct Investment in Canada, 1946-59

Account	1951	1952	1953	1954	1955	1956	1957	1958	1959[P]	1946-1959[1]
	millions of dollars									
Gross inflows of new capital:										
Petroleum and natural gas industry[2]	140	178	172	187	195	243	260	217	185	1,989
Mining, n.i.e.	37	98	104	66	60	63	78	79	131	763
Pulp and paper	31	7	1	23	35	42	48	16	18	278
Manufacturing, n.i.e.	101	71	52	41	77	108	111	91	143	1,400
Utilities, n.i.e.		2	6	2	9	2	3	3	2	
Merchandising, n.i.e.		5	31	9	21	16	27	11	20	
Financial		1	13	15	17	16	21	5	16	
Miscellaneous		2	4	7	9	16	17	14	14	
Sub-totals	**309**	**364**	**383**	**350**	**423**	**506**	**565**	**436**	**529**	**4,430**
Return of capital	39	45	37	62	117	100	175	133	141	973
Net capital inflow for direct investment (Table 1, item D 1)	270	319	346	288	306	406	390	303	388	3,457
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises[3]	34	129	- 2	22	32	225	219	168	139	942
Net capital inflow	**304**	**448**	**344**	**310**	**338**	**631**	**609**	**471**	**527**	**4,399**
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	166	186[4]	332	271	391[4]	247[4]	483	106	260[5]	3,147
Net increase in book value—Table X (B)	**470**	**634**	**676**	**581**	**729**	**878**	**1,092**	**577**	**787**	**7,546**

[1] For annual detail 1946 to 1950 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".
[2] Exploration, development, refining, transportation, distribution and marketing.
[3] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[4] This figure is affected by unusually large reclassifications between direct and portfolio investments.
[5] Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross business fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12 A. Additional Detail of United States Direct Investment in Canada, 1958 and 1959

Industry	1958					1959[P]				
	Direct investment transactions			Other capital movements[1]	Net capital inflow	Direct investment transactions			Other capital movements[1]	Net capital inflow
	Inflows	Outflows (-)	Net inflow			Inflows	Outflows (-)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry[2]	217	- 8	209	35	244	185	- 22	163	20	183
Mining, n.i.e.	79	- 8	71	54	125	131	- 24	107	49	156
Pulp and paper	16	- 24	- 8	- 5	- 13	18	- 30	- 12	- 1	- 13
Manufacturing, n.i.e.	91	- 58	33	54	87	143	- 40	103	17	120
Utilities, n.i.e.	3	- 1	2	- 2	—	2	—	2	- 8	- 6
Merchandising, n.i.e.	11	- 18	- 7	3	- 4	20	- 17	3	6	9
Financial	5	- 4	1	30	31	16	- 1	15	57	72
Miscellaneous	14	- 12	2	- 1	1	14	- 7	7	- 1	6
Totals	**436**	**-133**	**303**	**168**	**471**	**529**	**-141**	**388**	**139**	**527**

[1] For annual detail 1946 to 1950 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".
[2] Exploration, development, refining, transportation, distribution and marketing.

The capital inflow for direct investment was about equal in the two halves of 1959, but the special transactions already referred to affected this timing. Excluding these, there appears to have been some increase in the rate of inflow in the last half of 1959.

The industrial distribution of movements of capital for United States direct investment in Canada is given as usual in Statements 12 and 12A. These show that 70 per cent of the net inflow of United States capital for direct investment in Canada in 1959 was directed to the petroleum and natural gas industry and mining, down from 92 per cent in 1958. The net amount involved was little different in the two years, $270 million in 1959 and $280 million in 1958, with a reduction in inflows for petroleum and natural gas being partly offset by an increase for mining. (The differences in gross direct investment inflows to these industries were somewhat larger). In contrast with the relative stability in petroleum, natural gas and mining, there was a sharp change in the net movement of United States direct investment capital to manufacturing which rose from $25 million in 1958 to $91 million in 1959 under the impact of some of the special transactions already referred to. Net inflows of United States direct investment capital to all other industrial groups of $27 million in 1959 replaced net outflows of $2 million in 1958.

Annual estimates of the total value of direct investments cover the total investments owned by all residents of the country in which control lies, in contrast with estimates of direct investment flows shown in balance of payments statements which are confined to those affecting the investment of controlling or affiliated interests. As a consequence there are capital movements recorded in the statements under categories other than direct investment which directly affect the estimated value of direct investments. These movements are also shown in Statements 12 and 12A. They totalled $168 million in 1958 and $139 million in 1959. The largest changes were sharp declines in the use of medium term bank credits and to a lesser extent corporate bond offerings in the United States by manufacturing concerns, partially offset by larger borrowings there by finance companies. Taken together, the net capital movement adding to United States direct investment in Canada amounted in 1958 to $471 million and in 1959 to $527 million. All other factors, including the retention of profits, accounting adjustments, etc., added a further $106 million in 1958 and an estimated $260 million in 1959. The recorded increase in the book value of United States direct investment in 1958 was $577 million and the estimated increase in 1959 was $787 million. The 1959 figure was considerably below 1956 and 1957 but larger than in earlier years.

In the fourteen years of the post-war period there have been gross inflows from the United States for direct investment in Canada aggregating $4,430 million, of which more than 60 per cent went to the petroleum, natural gas, and mining industries. During the same period some $973 million of United States direct investment capital was returned to that country, but movements of portfolio capital added a further $942 million to the value of United States investment in United States-controlled enterprises in Canada, making a total movement of United States capital of $4,399 million. Retention of profits, reclassifications, etc., led to a further rise of $3,147 million in the period, raising the book value of United States direct investments in Canada from $2,304 million at the end of 1945 to $9,850 million at the end of 1959.

Inflows of direct investment capital from the United Kingdom in 1959 were directed largely to petroleum and natural gas which accounted for 40 per cent, and to manufacturing which accounted for only a slightly smaller proportion, although this category included important amounts for the acquisition of existing interests. The declines from 1958 (when the total also included a significant amount which did not give rise to new capital expenditures in that year) were general. Net direct investment inflows from other overseas countries, mainly Western European, which totalled $51 million were up sharply over 1958 but did not reach the levels of 1956 and 1957. Manufacturing, mining, and financial concerns all attracted significant inflows.

It will have been evident from the discussion above that estimates of the Canadian balance of payments do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a contributing factor to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investments in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Decisions with respect to the transfer of earnings between subsidiaries and parent companies are presumably dictated primarily by the relative need for funds in Canada or abroad. In the absence of immediate and pressing need for the funds, conditions in the money and exchange markets assume importance. Other possible determining influences may include effects on the corporation's overall tax position or on its published accounts. These types of consideration are believed to be more important in the subsidiary-parent relationship typical of direct investment than in the public company whose profit distributions represent a final disposition of resources and for whose shareholders a relatively stable dividend rate generally has attraction. The dividend payment practices of direct

investment companies have varied considerably over the post-war period. Until the end of 1951 about 60 per cent of direct investment earnings were distributed. In the period since that time distributions have averaged about 46 per cent of earnings. This has been below the average for all companies in Canada, which, between 1952 and 1959, paid out some 49 per cent of earnings.

Estimates of the total retained earnings on all foreign direct investments appear in Statement 12B. (Figures are not available separately by country nor for Canadian direct investment abroad). Earnings retained during 1958 are estimated to have amounted to about $250 million. This was below the amount retained in recent years but the calculation involves timing and valuation difficulties and only limited significance should be attached to an annual variation. The accumulation of undistributed earnings has added $3,420 million to Canada's external indebtedness in the thirteen years between 1946 and 1958. Retained earnings on foreign portfolio investment in Canada add further large amounts. The significance of this sum, large as it is, is given added emphasis by the generally rising trend evident in the figures. And of even greater significance is the fact that many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

STATEMENT 12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-58

(Millions of dollars)

Year	Amount	Year	Amount	Year	Amount
1946	120	1951	200	1956	480
1947	125	1952	290	1957	475
1948	160	1953	340	1958	250
1949	155	1954	300		
1950	155	1955	370	Total 1946-58	3,420

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled $70 million in 1959 which compares with a revised estimate of $48 million for 1958. Acquisitions of interests in existing concerns contributed to the total for 1959, while the disposal in 1958 of some interests acquired earlier reduced the net outflow in that year. Net movements between Canada and the United States, outflows of $1 million in 1959 and $3 million in 1958, were negligible in comparison with the movements with other countries and with transactions with the United States in the years intervening since the termination of exchange control. The sale of petroleum interests in 1959 and the disposal of controlling interests in several concerns in 1958 were factors reducing the net outflows in these years to minor proportions. The largest part of the net outflow in 1959 was to the United Kingdom, and the movement of $43 million was in sharp contrast with the figure of $5 million in 1958. Among the important transactions with the United Kingdom in 1959 were purchases of manufacturing undertakings in that country. Net outflows to other overseas countries totalled $26 million in 1959 compared with $40 million in 1958. In 1959 they comprised $9 million to sterling area countries other than the United Kingdom, $5 million to other OEEC countries, and $12 million to all other countries.

Canada's direct investments abroad are spread over a wide variety of industrial and commercial enterprises including beverages, aluminum, farm implements, other manufacturing, mining, oil, utilities, and distribution.

Summary of Transactions in Portfolio Securities

For four consecutive years portfolio security transactions have been Canada's largest source of foreign capital, supplying in 1959 an amount equivalent to 44 per cent of the deficit on current account. This was 9 per cent lower than for 1956, 1957, or 1958. In the ten years prior to this, inflows for portfolio security investment were exceeded by those for direct investment each year except 1950. The net inflow of $625 million in 1959 was slightly larger than the total of $610 million recorded for 1958, but in that year the current account deficit was much smaller and security transactions were equivalent to a higher proportion. Even larger amounts of capital were imported in this form the two preceding years, $727 million in 1956 and $763 million in 1957, and in the four year period the net capital inflow from security transactions has totalled $2,725 million. The capital movement of $625 million in 1959 may be compared with the figure of $331 million established in the atmosphere of exchange rate speculation in 1950 a record which was not surpassed until 1956.

The great inflows in recent years have for the most part represented the sale of issues payable in United States dollars, and have been initiated by Canadian borrowers who actively sought ou

foreign sources of financing. In contrast, in 1950 most of the inflow was initiated by non-resident investors who came into the Canadian market to acquire Canadian securities payable in Canadian funds.

Statements 13 and 14 give details of the transactions in Canadian and foreign issues respectively. The proceeds of new issues of Canadian securities sold to non-residents amounted to $704 million, but there were offsetting retirements of $245 million of foreign-held Canadian securities. Trade in outstanding Canadian securities resulted in a sales balance to non-residents of $202 million, bringing the net movement from transactions in Canadian securities to $661 million. In the opposite direction there was a net capital export of $36 million from all transactions by Canadians in foreign securities.

Geographically, in percentage terms, the overall movement of portfolio security capital in 1959 came 77 per cent from the United States, 5 per cent from the United Kingdom, and 18 per cent from other overseas countries. In 1958 the proportion from the United States was 87 per cent, that from the United Kingdom 6 per cent, and that from the other overseas countries 7 per cent.

In amounts, the net inflow to Canada from security transactions with the United States totalled $480 million in 1959. This compared with $530 million in 1958, $561 million in 1957, and $499 million in 1956. For earlier years the amounts were very much smaller. The movement in 1959 included net sales of $516 million of Canadian securities, comprising $21 million of outstanding bonds and debentures, $74 million of outstanding common and preference stocks, and $621 million of new issues, offset by retirements of $200 million of United States-owned Canadian securities. Against this net inflow was a net outflow of $36 million from all transactions in foreign securities. The sales balance on account of trade in outstanding Canadian bonds and debentures was the first since 1950. It arose from marked interest by United States investors in Government of Canada direct and guaranteed issues, leading to net sales of $45 million. There were net repurchases by Canadians of issues of most other classes of borrower. Net sales of outstanding Canadian stocks were larger than they have been since 1955. The total proceeds of new issues sold to residents of the United States was exceeded only in 1957 while repatriation through retirements was larger than for many years, and was up 50 per cent over 1958. As the volume of debt outstanding in non-resident hands rises, increasing retirements may be expected, although under present conditions a significant part may take the form of repurchases in the open market which are reflected in the trade of outstanding issues. Canadians added on balance to their holdings of foreign securities through transactions with the United States in 1959. The net capital outflow for this purpose was the fourth since World War II, and by far the largest.

The net capital inflow from all portfolio security transactions between Canada and the United Kingdom amounted to $30 million in 1959. The movement was broadly similar in total and composition with that of the previous year, but it fell far short of 1956 and 1957 in each of which there were net movements of more than $120 million to Canada.

Transactions in securities with other overseas countries produced $115 million in 1959, two and a half times their amount in 1958, and more than the previous record of $107 million established in 1956. Contributing to the balance was more than $68 million net sales of outstanding Government of Canada direct and guaranteed issues.

A very high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1959 gross transactions approached $3.1 billion, up more than 20 per cent over the turn-over of $2.5 billion recorded in 1958. Corresponding figures for 1956 and 1957 were $3.2 billion and $3.0 billion respectively.

The figures for 1959 reveal increased reliance by Canada on foreign investors to supply portfolio security capital. The foreign savings made available to Canada through sale of Canadian stocks and bonds in 1959 were equivalent to somewhat more than 40 per cent of the net new supply of such securities. In 1958, when the Government of Canada was a substantial borrower of funds in Canada, sales to non-residents were equivalent to about 19 per cent of the new supply. Excluding Government of Canada direct and guaranteed issues, the percentage in 1958 was 28. Non-resident acquisitions of securities of provincial and municipal governments and of corporations, taken as a group, were larger in 1959 than in 1958, notwithstanding the fact that the net new issues of such securities were smaller.

Additional comment and statistical detail on movements of portfolio capital, including quarterly figures classified by debtor, will be found in the DBS monthly reports, "Sales and Purchases of Securities Between Canada and Other Countries", particularly the December issues which contain an annual review.[6]

Transactions in Outstanding Canadian Securities

The capital inflow of $202 million produced by trade in outstanding Canadian securities was the largest since 1950. It included on balance $93 million of Canadian bonds and debentures and $109 million of Canadian stocks. Details will be found in Statement 13.

Net sales of outstanding bonds and debentures occurred in every month of 1959 except one, and their total was the largest since 1950. In 1958 there was no net movement from trading in bonds, and in 1957 trading resulted in a repurchase balance of $45 million. Net sales to non-residents during 1959 of $119 million of Government of Canada direct and guaranteed issues were offset to the extent of $26 million by net repurchases of issues of other Canadian debtors, some of which may reflect transactions of sinking funds.

[6] Catalogue No. 67-002. Due to revisions the figures appearing in this report will differ in some cases from those published in the earlier monthly reports.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1958 and 1959

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1958	1959	1958	1959	1958	1959	1958	1959
	millions of dollars							
By type of security								
Bonds and debentures:								
Government of Canada, direct	+21	+106	+ 67	+ 42	- 25	-101	+ 63	+ 47
Government of Canada, guaranteed	- 1	+ 13	+ 9	+ 14	—	—	+ 8	+ 27
Provincial government (including guaranteed)	-18	- 4	+168	+334	- 45	- 41	+105	+289
Municipal government	- 1	+ 1	+148	+159	- 30	- 33	+117	+127
Railways, not guaranteed by government	- 3	- 2	+ 1	—	- 2	- 5	- 4	- 7
Other corporations	+ 2	- 21	+241	+113	- 40	- 52	+203	+ 40
Sub-totals: bonds and debentures	—	**+ 93**	**+634**	**+662**	**-142**	**-232**	**+492**	**+523**
Common and preference stocks	+88	+109	+ 43	+ 42	- 16	- 13	+115	+138
Totals (Table 1, items D3, 4, 5)	**+88**	**+202**	**+677**	**+704**	**-158**	**-245**	**+607**	**+661**
By country								
United States	+60	+ 95	+600	+621	-132	-200	+528	+516
United Kingdom	+ 7	+ 11	+ 41	+ 43	- 16	- 27	+ 32	+ 27
Other sterling area	—	—	—	—	—	—	—	—
Other OEEC countries	+31	+ 92	+ 26	+ 40	- 10	- 18	+ 47	+114
Other countries	-10	+ 4	+ 10	—	—	—	—	+ 4
Totals (Table 1, items D3, 4, 5)	**+88**	**+202**	**+677**	**+704**	**-158**	**-245**	**+607**	**+661**
By quarter								
First quarter	+ 1	+ 65	+179	+186	- 30	- 41	+150	+210
Second quarter	+ 5	+ 48	+295	+111	- 50	- 78	+250	+ 81
Third quarter	+28	+ 58	+102	+210	- 27	- 59	+103	+209
Fourth quarter	+54	+ 31	+101	+197	- 51	- 67	+104	+161
Totals (Table 1, items D3, 4, 5)	**+88**	**+202**	**+677**	**+704**	**-158**	**-245**	**+607**	**+661**

Net sales to non-residents of outstanding Canadian common and preference stocks produced $109 million, larger than the figure of $88 million for 1958 but smaller than in the other years since 1953. There were net sales of outstanding Canadian stocks in every month of 1959; in the past six years there have been only four months in which a sales balance did not occur. During this period non-residents have purchased on balance nearly $800 million of outstanding Canadian equity securities, apart from direct investments in subsidiaries.

Nine special income-accumulating investment funds have been organized in Canada by United States interests. These diversified management investment companies were established since mid-1954 following a change at that time in United States administrative arrangements which facilitated their formation. They provide important advantages to United States investors under the tax structure in effect in that country. As their essential characteristic is portfolio investment, notwithstanding their legal status as Canadian corporations, they are treated as representing United States portfolio investors, and their transactions in Canadian securities are included in statistics of international security trading.

The year 1959 was the first since the funds were organized when redemptions of their own shares exceeded sales. The liquidation amounted to about $10 million, compared with net sales of about $7 million in the previous year. Since the funds retain their net income the decline in their value, apart from realized and unrealized capital gains, was only about $1 million in 1959, contrasted with an increase of about $16 million in 1958. The effect on Canada's balance of payments was somewhat larger because the funds have been adding moderately to their holdings of foreign securities. In 1959 they sold on balance about $12 million of their Canadian securities; this capital outflow contrasted with an inflow of about $14 million in 1958. It will be seen from this that neither in 1958 nor 1959 were the funds so important a factor in the securities market as in earlier years. In the four years from 1954 to 1957 they purchased a total of $272 million of Canadian securities and acquired a further $21 million by merger, but in the two most recent years they purchased on balance only an additional $2 million.

At the end of 1959 the total investment in the funds was about $384 million including about $36 million of realized and unrealized appreciation.

About $43 million of the total was invested in foreign securities, mainly European, and a further $10 million took the form of cash balances and other current assets. The investment in Canadian securities at market values was about $331 million, of which about $320 million is estimated to have been owned by United States investors.[7]

Common stock prices in Canada, as measured by the DBS Investors' Index, were only about one per cent higher in December 1959 than a year earlier. On the other hand common stock prices in the United States as measured by Standard and Poor's "500" Index were up more than ten per cent. The net sales to non-residents of Canadian stocks represented only a small part of the quoted value of listings on the principal exchanges in Canada, but it should be borne in mind that not all of the issues listed are available for trading. Gross sales to non-residents of outstanding issues, which rose by about 25 per cent compared with 1958, accounted for somewhat more than one-fifth of the value of shares traded on the principal exchanges in Canada in 1959, up slightly from the proportion in the previous year. In the final months of 1959 gross sales to non-residents were equal to more than a quarter of the total.

New Issues and Retirements of Canadian Securities

Canada received $704 million from the sale of new issues of Canadian securities to non-residents in 1959. This represented an increase of $27 million over 1958, and was exceeded only by the inflow of $798 million in 1957. Details of the new issues, classified by issuer, appear in Statement 13. Gross new corporate issues dropped to $155 million, from $285 million in 1958 and $523 million in 1957. In both those years, however, there was a significant volume of deliveries of pipe line bonds sold earlier. On the other hand sales to non-residents of new issues of governments rose to new heights of $549 million in 1959, increasing by over one-third over the previous year.

Residents of the United States bought nearly 90 per cent of the new issues sold to non-residents in both 1958 and 1959. The proportion of new issues of Canadian bonds and debentures sold to non-residents which provided for payment either optionally or solely in foreign currency was nearly 80 per cent in each year.

Statement 13A provides a quarterly reconciliation between contracts entered into covering sales to residents to the United States of new Canadian bonds and debentures, and the delivery data appropriate for balance of payments purposes. The statement has some significance for analysis of the relationship of capital movements to concurrent conditions in the international capital and exchange markets.

STATEMENT 13 A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1958 and 1959

Account	1958					1959				
	IQ	IIQ	IIIQ	IVQ	Year	IQ	IIQ	IIIQ	IVQ	Year
	millions of dollars									
Sales contracts entered into during period	161	260	15	132	568	104	161	177	133	575
Add sales in earlier periods for delivery in period	9	32	73	5	79	58	6	73	47	64
Deduct sales in period for delivery later	− 9	− 40	—	− 55	− 64	− 4	− 74	− 57	− 18	− 33
Proceeds of new issues during period (included in Table I, item D4)	161	252	88	82	583	158	93	193	162	606

Note: As details of all contracts are not available, deferred deliveries may be understated.

Interest rates in both Canada and the United States rose sharply during 1959, and there was a tendency for the differential to be greater than in 1958. For example, the yield on the Government of Canada 3¾% issue due 15 January 1975-78 rose 84 base points from 4.76 per cent to 5.60 per cent. At the same time the yield on the United States Government 3¼% issue due 15 June 1978-83, a roughly comparable bond, rose 58 base points, from 3.83 per cent to 4.41 per cent. The differential for the last Wednesday of each month varied between 83 and 152 base points. It reached more than 1½ percentage points near the end of October.

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian securities is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of Canadian securities sold to residents of the United States in 1959 was $621 million. This included $15 million from

[7] Estimates in these paragraphs are based on balance sheet data which do not correspond precisely with the calendar year.

the sale of Canadian stocks, $96 million from the sale of Canadian bonds and debentures payable optionally or solely in Canadian funds, and $510 million from the sale of Canadian bonds and debentures payable in United States funds only. The par value of the latter issues was $540 million, from which there was deducted about $8 million for discounts, underwriting commissions, and other expenses, and $22 million for discount on the United States dollar.

In the eight years from 1952 to 1959 Canada sold to non-residents new issues valued at $3,994 million, about three-quarters of which was payable solely or at the holders' option in foreign currency. The sum included $2,171 million of issues by governments and $1,823 million of corporate issues.

Retirements of foreign-held Canadian securities totalled $245 million in 1959, compared with $158 million in 1958. Much of the increase covered Government of Canada issues. This is the largest figure for retirements for many years. It is no doubt a reflection of the growing volume of funded debt outstanding in the hands of non-residents. Since retirements required by the operation of sinking funds may often be satisfied through the surrender of bonds acquired in the market, it may be surmised that in addition some current retirements took the form of repurchases of outstanding securities.

Transactions in Foreign Securities

Transactions in foreign securities gave rise to a net capital outflow of $36 million in 1959. There were net purchases by Canadians of $33 million of outstanding foreign issues. The only other year since the end of World War II in which Canadians added to their holdings of foreign securities through purchases of outstanding issues was in 1948 when there was a net outflow of $7 million. Net purchases occurred in each quarter of 1959 and largely represented, on balance, the purchase of foreign bonds, particularly United States Government issues. Canadians also purchased $13 million of new issues of foreign securities but $10 million of existing Canadian-owned issues were retired.

Long-term Investments Abroad by the Government of Canada

Canadian aid abroad in 1959 in the form of loans to overseas governments consisted of $1 million credit extended to Ceylon and to India to finance the purchase of Canadian wheat and flour.

STATEMENT 14. Transactions in Foreign Securities Between Canada and Other Countries, 1958 and 1959

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1958	1959	1958	1959	1958	1959	1958	1959
	millions of dollars							
By type of security								
Foreign bonds and debentures	+ 3	−27	−13	− 7	+7	+10	−3	−24
Foreign common and preference stocks	+10	− 6	− 4	− 6	—	—	+6	−12
Totals (Table I, items D6, 7, 8)	**+13**	**−33**	**−17**	**−13**	**+7**	**+10**	**+3**	**−36**
By country								
United States	+11	−34	−13	− 8	+4	+ 6	+2	−36
United Kingdom	+ 2	+ 3	—	—	+1	—	+3	+ 3
Other sterling area	—	—	—	—	—	+ 2	—	+ 2
Other OEEC countries	—	− 2	—	—	—	—	—	− 2
Other countries	—	—	− 4	− 5	+2	+ 2	−2	− 3
Totals (Table I, items D6, 7, 8)	**+13**	**−33**	**−17**	**−13**	**+7**	**+10**	**+3**	**−36**
By quarter								
First quarter	+ 4	− 5	− 4	− 3	+2	+ 3	+2	− 5
Second quarter	− 1	−12	− 7	− 2	+1	+ 2	−7	−12
Third quarter	+ 3	− 8	− 2	− 1	+2	+ 2	+3	− 7
Fourth quarter	+ 7	− 8	− 4	− 7	+2	+ 3	+5	−12
Totals (Table I, items D6, 7, 8)	**+13**	**−33**	**−17**	**−13**	**+7**	**+10**	**+3**	**−36**

In the previous year credits totalling $34 million were extended for this purpose. Repayments of principal on earlier intergovernmental loans totalled $34 million, including amounts from the United Kingdom, Belgium, France, the Netherlands, and Norway; the repayment by Norway was the final payment on a loan of $23 million made between 1945 and 1948. In 1958 repayments to Canada totalled $64 million, but that total included $30 million repaid on the loan of 1942 to the United Kingdom which had been fully repaid by the end of the year. In addition to the principal repayments Canada received in 1959 $33 million of interest on intergovernmental loans; this is a part of the item in the current account covering Canada's receipts of interest and dividends.

By the end of 1959 the outstanding balances on loans of $2,485 million extended by Canada since the beginning of World War II amounted to $1,419 million.[8] The amount of principal outstanding on the United Kingdom loan of 1946 was $1,064 million, and a further $355 million was outstanding by other overseas countries on post-war loans made under Part II of the Export Credits Insurance Act, the special wheat and flour loans referred to earlier, etc. There was in addition $32 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1959 payments were overdue on the intergovernmental loans made in the inter-war years and on the post-war loan to China. These inactive loans amounted to $80 million out of the total of $1,451 million outstanding.

During 1959 an amendment to the Bretton Woods Agreements Act was passed providing for increases in Canada's quota in the International Monetary Fund and subscription to the International Bank for Reconstruction and Development. There were general increases of 50 per cent in the quotas for the IMF and of 100 per cent in the subscriptions to the IBRD. Canada was among the countries for which special increases exceeding these percentages were recommended. As a result, Canada's quota in the IMF was raised from $300 million to $550 million, and its subscription to the IBRD from $325 million to $750 million, all of these amounts being expressed in United States funds. The increased quota for IMF involved the payment of US $62.5 million in gold, and US $187.5 million in Canadian funds. A capital outflow of $59 million appears separately in the fourth quarter in the balance of payments statements, representing the Canadian dollar equivalent of the payment in gold. The transaction is recorded in the account with the United States to which changes in official holdings of gold are conventionally attributed. (The impact of this payment on Canada's official holdings of gold and foreign exchange is a capital inflow in a later item). Since it has been the practice to record quota and subscription payments in Canadian funds to these institutions, with changes in short-term Canadian dollar holdings by them, in the item "other capital movements" the payment in Canadian dollars to the IMF has no immediate effect on the main balance of payments statements. Canada's increased subscription to the IBRD will involve payment of $1 million in gold or United States dollars, and $9 million in Canadian funds, with the remainder of $415 million to remain on call to serve as an increased guarantee of IBRD obligations; these transactions had not been completed at the end of 1959.

Change in Canadian Dollar Holdings of Foreigners

A capital inflow of $12 million was reflected in increased holdings of Canadian dollars by non-residents during 1959. This inflow was much smaller than the increase of $106 million for 1958, when

[8] Excludes $44 million deferred interest on the loan of 1946 to the United Kingdom.

STATEMENT 14 A. Transactions with Non-residents in Canadian Treasury Bills, 1959

Month	Sales	Repurchases and maturities	Net change in holdings	Holdings at month-end
	millions of dollars			
1958 - December	...	...	...	50
1959 - January	17	20	− 3	47
February	28	10	+ 18	65
March	18	33	− 15	50
April	30	13	+ 17	67
May	28	19	+ 9	76
June	59	22	+ 37	113
July	39	30	+ 9	122
August	43	26	+ 17	139
September	15	40	− 25	114
October	13	45	− 32	82
November	31	41	− 10	72
December	48	56	− 8	64
Year	**369**	**355**	**+ 14**	**64**

Note: An increase in holdings (+) reflects a capital inflow.

part of the change was caused by the creation of the special account for the United States Government described in greater detail in last year's report. Variations over the course of 1959 were more significant than the change for the year as a whole. A decline of $12 million in the first quarter of the year was followed by increases of $46 million and $22 million in the second and third quarters respectively. These capital inflows were reversed as to $44 million by an outflow in the final quarter of the year.

Geographically there were also variations. The holdings of residents of the United States rose by $7 million during the year, those of the United Kingdom and other sterling area countries fell by $19 million, while those of other overseas countries rose by $24 million.

Over the course of 1959 transactions by non-residents in Canadian Treasury Bills, which are included in these figures of Canadian dollar holdings of foreigners, were of more than usual importance in the Canadian balance of international payments, again affording evidence of the growing role of the short-term money market in Canada and its relationship to markets in other countries.

During the year non-residents purchased $369 million of Canadian treasury bills. Most of these matured or were repurchased by Canadians during the year and the net holdings by non-residents rose by only $14 million. Over shorter periods, however, the transactions played an important role in the financing of Canada's international accounts. Statement 14A shows that in the five months from April to August there occurred a net capital inflow of $89 million for the purchase of bills, followed by a net outflow of $75 million in the succeeding four months. Investors in the United States, the United Kingdom, and other overseas countries each participated in significant amounts in these movements. (There was at times during 1959 also a considerable volume of purchases by Canadians of United States treasury bills which is included with the item for bank balances and other short-term funds abroad shown in Statement 15, but Canadian statistical sources make it difficult to isolate the data.)

The page of charts showing these transactions also illustrates the factors influencing interest arbitrage movements of capital from the United States to Canada.[9] Pure interest arbitrage necessarily involves entering into a forward exchange contract to protect the investor against fluctuations in the spot rate of exchange over the period of investment. In theory, of course, movements of interest arbitrage capital continue to a point where the cost of exchange protection offsets the interest differential. Not all purchases of treasury bills are covered in this manner. Some investors may choose to assume the risk of fluctuations, although it seems unlikely that this was the case to any considerable extent with the movements which occurred in 1959. Where the investor has an ultimate use for the currency there would ordinarily be no point to selling the exchange forward. In such cases it is the interest rate differential alone rather than the covered differential which is relevant. A substantial part of the sales of Canadian treasury bills during the fourth quarter of 1959 fell into this category.

The report in this series for 1955 gave corresponding details for a significant movement of Canadian capital to the United Kingdom for purchase of treasury bills of that country during 1955. The covered differentials at that time were much wider than in the current case. To some extent this condition may reflect the development of a more effective money market, although the situations were not completely comparable. The movement to London was inhibited by some institutional problems which were not likely of equal importance in the recent movement from other countries to Canada. And the triangular nature of the exchange market for forward sterling also made adjustment more difficult.

Total Canadian dollar holdings of all non-residents other than the International Bank for Reconstruction and Development and the International Monetary Fund amounted at the end of 1959 to about $495 million. Changes in holdings of the international financial agencies, amounting at the end of 1959 to nearly $400 million, are reflected in a later category of the capital account.

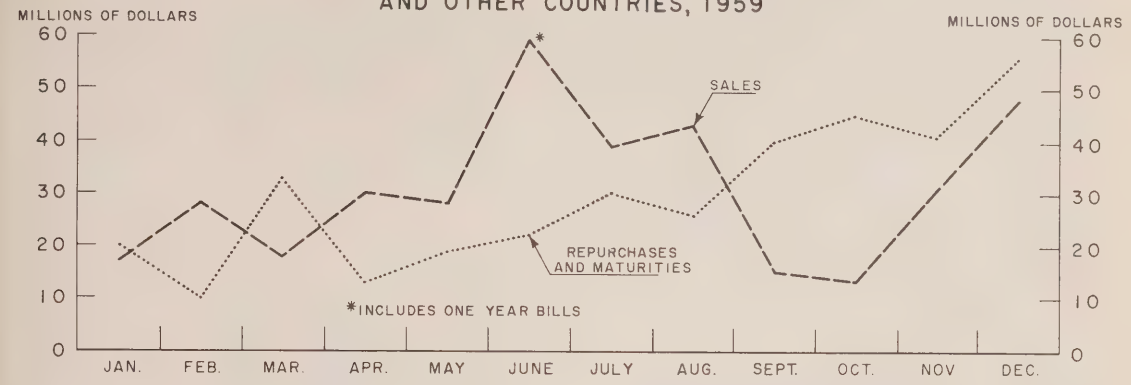
Change in Official Holdings of Gold and Foreign Exchange

There was a net capital inflow of $70 million in 1959 reflecting changes in Canada's official holdings of gold and foreign exchange. An inflow of $49 million in the first quarter through a reduction of official holdings was followed by outflows of $43 million and $3 million as holdings were increased in the second and third quarters. There followed an inflow of $67 million in the final quarter of the year. As has been noted previously $59 million of this reflected the reduction of holdings resulting from payment of Canada's increased quota in the International Monetary Fund. This quota might be regarded as a second line of reserve. Reductions in official holdings of gold and United States dollars accounted for $67 million of the net inflow in 1959, and reductions in official holdings of sterling for $3 million.

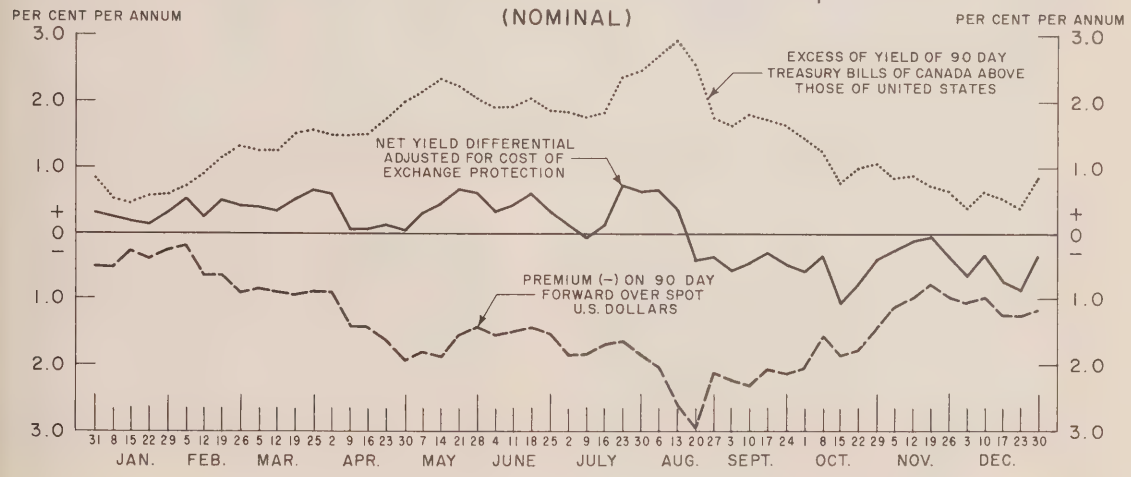
Official holdings of gold and United States dollars fell from $1,939.1 million, expressed in United States funds, at the beginning of the year, to $1,869.2 million at the end. The highest level of month-end holdings was reached in September when the total was $1,938.3 million. Holdings of sterling are limited to working balances and were of the order of $7 million at the end of 1959.

[9] Quotations upon which the interest differential is based are subject to technical factors but are sufficiently accurate to illustrate the broad character of the changes.

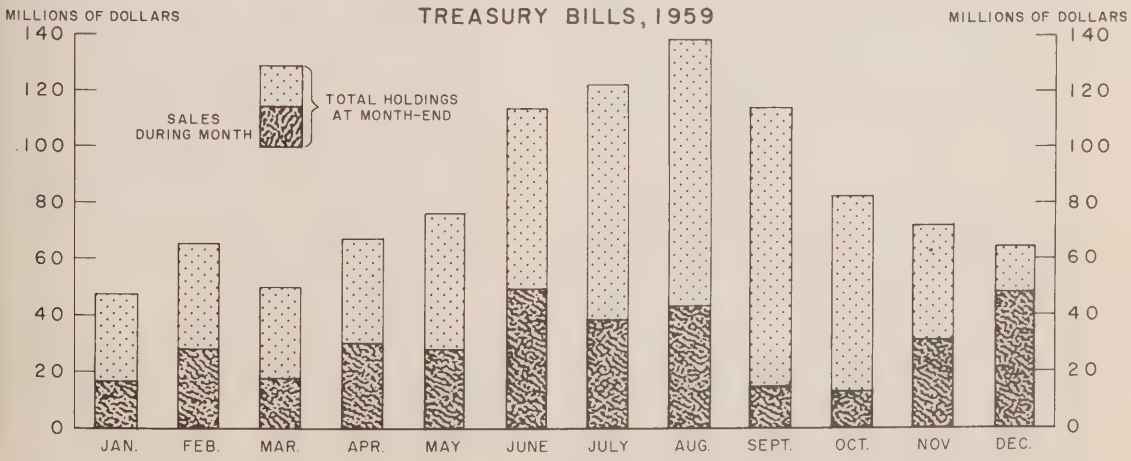
SALES, REPURCHASES, AND MATURITIES, OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1959



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1959 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1959



STATEMENT 15. Composition of "Other Capital Movements", 1946-59

A minus sign indicates an outflow of capital from Canada

Transaction with all countries	1953	1954	1955	1956	1957	1958	1959[p]	Total 1946-59[1]
	millions of dollars							
Loans by Government of United Kingdom to a Canadian Corporation	20	—	—	—	—	—	—	67
Canadian dollar subscriptions to International Bank for Reconstruction and Development and International Monetary Fund	—	29	- 4	- 1	8	- 3	-178	-460
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development and International Monetary Fund	- 18	-42	- 5	- 16	- 7	2	181	391
United Kingdom Financial Settlement and Interim Advances (net)	—	—	—	—	—	—	—	38
Other long-term capital transactions	- 10	29	49	152	42	100	33	320
Borrowings by Canadian finance companies	19	11	23	64	5	19	68	244
Bank balances and other short-term funds abroad (excluding official reserves)[2]	- 79	-75	91	-215	-274	- 58	-121	-929
All other transactions including changes in loans and accounts receivable and payable[3]	-117	20	50	168	352	62	335	796
Totals (Table 1, item D17)	**-185**	**-28**	**204**	**152**	**126**	**122**	**318**	**467**

[1] For annual detail 1946-52, see Table I in "Canada's Short-term External Assets and Liabilities, 1945-57" (DBS Catalogue No. 67-504).
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.

Other Capital Movements

All other capital movements are estimated to have led to a net capital inflow of $318 million in 1959. Revisions to 1958 data give a corresponding inflow of $122 million in that year. The 1959 inflow is extraordinarily large and greatly exceeds that for any earlier year covered by official estimates (although it may be noted that an outflow of greater magnitude occurred in 1952).

A summary of the diverse components of this category in the Canadian balance of payments appears in Statement 15. The transactions with the International Bank for Reconstruction and Development and the International Monetary Fund were described earlier in the section on "Long-Term Investments Abroad by the Government of Canada", and the net effect is largely offset within this category.

A mixture of movements in both directions led to a net inflow of $33 million from other long-term capital transactions. A more homogeneous component was the borrowing abroad of $68 million by Canadian finance companies. Most of this movement occurred in the last half of the year, and the total was slightly higher than that for 1956 which was a record. The net borrowing abroad of $244 million between 1952 and 1959 may be compared with a growth in this period of $689 million in the total outstanding notes and debentures of instalment and other finance companies. Since additional amounts of long-term debentures were sold abroad but are included with corporation bonds and debentures among movements of portfolio security capital, it will be evident that a substantial amount of the capital provided in these forms comes from non-residents. Aside from the increase in notes and debentures outstanding, further financing in the eight-year period included $326 million of chartered bank loans and $382 million growth in capital, reserves, and "other" liabilities.[10] There is, of course, some substantial foreign direct investments included in the latter category.

Canadians continued to add to their holdings of bank balances and other short-term funds abroad. The outflow for this purpose in 1959 was $121 million, most of which is estimated to have occurred in the last half of the year. All other movements led to an inflow of $335 million, following an inflow in 1958 now estimated at $62 million. This category reflects the change in net loans and accounts payable. In addition to recorded receivables and payables, it includes the balancing item representing the difference between direct measurements of the revenue and capital accounts.

The Bureau has published a reference paper entitled, *Canada's External Short-Term Assets and Liabilities, 1945-1957*, (Catalogue No. 67-504, Occasional) which deals at greater length with these capital movements.

[10] Bank of Canada Statistical Summary, June, 1960.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Canada's indebtedness to other countries has been rising sharply during the past decade as a direct consequence of the exceptionally heavy inflows of capital described above. Net indebtedness of Canada to investors in other countries has risen from $3.8 billion at the end of 1949 to $15.3 billion at the end of 1959, which compares with $5.5 billion in 1939 and $6.5 billion in 1930, the highest pre-war total. The largest changes occurred in the second half of tne past decade.

The principal factor bringing about this growth in net indebtedness has been the rise in non-resident long-term investments in Canada, which have risen from $8.0 billion in 1949 to $20.7 billion by the end of 1959. Canadian investments abroad have risen more moderately in this decade following a sharper rise in the early post-war years when loans by the Canadian government to overseas countries were a large factor.

The rise in non-resident investments in Canada has been heavily concentrated in Canadian industry throughout the decade and more recently significant increases have also occurred in holdings of government and municipal securities. The unique place which non-resident ownership occupies in Canadian industry is clearly illustrated in the section which follows on "foreign ownership and control of Canadian industry". Significantly high ratios of non-resident ownership and control occur throughout most Canadian industries with relatively few exceptions and with so much of the post-war industrial expansion of Canada financed from external sources ratios are highest in some of the areas of more recent development, particularly in resource industries like petroleum and mining and smelting and some other basic industries.

While this increase in indebtedness abroad may have been less than the rate of increase over the long-run in some measures of Canadian growth such as the gross national product over a period of several decades, to take one example, it has been a major contributor to the pattern in Canada's international accounts which has been described elsewhere. One impact of these changes in the balance of payments so far has been to increase the level of transfers of interest and dividends and other forms of income. In addition substantial amounts of earnings have been retained and reinvested in Canadian industry. Payments arising from such transfers of income are high in relation to receipts of income and this rising factor has consequently been a major contributor to rising current account deficits, particularly when there have also been import balances on merchandise account. Other effects of the changing foreign indebtedness position upon the balance of payments are less readily isolated as they are interrelated with the industrial expansion and the transformation which this has brought about in the Canadian economy with new levels of incomes and expenditure patterns. The degree to which Canadian export capacity is employed is also a highly significant variable factor. It is clear, however, that the impact of the high balance of Canadian indebtedness to other countries upon the international accounts is relatively much greater than it would be if Canada had a substantial export surplus from merchandise trade.

While the largest inflows of capital have been consistently from the United States, overseas countries have also been important sources, giving rise to rapid rates of increase. In 1959 the proportion of investments owned in the United States remained the same as in 1950 at 76 per cent, while a decline in the ratio owned in the United Kingdom from 20 per cent in 1950 dropped further to 16 per cent, being offset by a rise in investments owned elsewhere overseas from 4 per cent to 8 per cent.

The total of all long-term investments in Canada was at a new peak in 1959 of $20.7 billion, having risen 9 per cent in the year following rises of 9 per cent and 12 per cent in the two preceding years. The total has virtually doubled since 1952 and is not far from three times the value at the beginning of the post-war period.

The rise in United States investments in Canada of $1.3 billion to a new record total of $15.7 billion in 1959 followed an increase of about similar magnitude in the previous year. Since 1955 there have been substantial rises in portfolio investments as well as in direct investments and this trend continued in 1959 as United States holdings of Canadian government and municipal bonds in particular, continued to rise rapidly. At the same time the major part of increases each year except 1958 has been in direct investments which are widely distributed throughout Canadian industry and business. This group of investments has risen significantly each year during the post-war period, both through reinvestments of earnings and transfers of capital as important areas of industrial development in Canada described elsewhere in this report were financed through these channels. Greatest increases in United States direct investments have been in petroleum, mining and manufacturing.

British investments in Canada have been increasing each year since 1948 when the low point of $1,610 million reflected the effects of repatriations of investments in Canada used to finance war-time expenditures. The continued rise in 1959 carried the total to over $3.2 billion which is twice the value at the low point and moderately higher than the earlier peak of $2,766 million which occurred in 1930. The largest part of the increase has been in direct investments in Canada by British companies which are now almost four times as large as at the beginning of the post-war period. In recent years these have shown significant growth in primary industries as well as in the areas of secondary industry and finance where they have been traditionally prominent. While portfolio investments have been rising, particularly in recent years, the total of this group of investments is still less than the value before the war-time repatriations.

Investments in Canada in 1959 owned by countries other than the United Kingdom and the United States valued at $1.7 billion were five times the value in 1949 having risen significantly each year during the 1950's. While the most rapid expansion has been in direct investments, there have also been substantial increases in portfolio investments. Europe has been the source of most of this capital with appreciable amounts originating in most countries of Western Europe as indicated in Statement 19 which shows the countries of ownership of direct investments. The increases in investments have been widely distributed in the different areas of industry and business. Holdings of government bonds and public corporation securities have also risen rapidly.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-59

Item	1926	1930	1939	1945	1949	1954	1955	1956	1957	1958	1959[P]
	billions of dollars										
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	14.1	15.3	17.7	19.9	21.8	24.1
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.2	7.4	7.7	8.1	8.4	8.8
Net indebtedness	**5.1**	**6.5**	**5.5**	**4.0**	**3.8**	**6.8**	**7.9**	**10.0**	**11.8**	**13.4**	**15.3**

Note: For details see Table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-59

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1957	1958	1959[P]
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,278	13,276	14,441	15,725
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	2,918	3,067	3,250
Other countries	14	178	177	170	188	286	352	842	1,282	1,482	1,700
Total book value	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,476**	**17,476**	**18,990**	**20,675**

[1] Privately estimated; for sources see Table XIII.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-59

Classification	1926	1930	1945	1949	1954	1955	1956	1957	1958	1959[P]
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	5,787	6,516	7,394	8,486	9,063	9,850
Government and municipal bonds	909	1,205	1,450	1,534	1,822	1,639	1,871	2,059	2,344	2,767
Other portfolio investments	799	1,368	1,106	1,107	1,651	1,586	1,814	1,987	2,171	2,238
Income accumulating investment funds	—	—	—	—	102	170	249	255	342	320
Miscellaneous investments	85	94	130	170	302	367	474	489	521	550
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**9,664**	**10,278**	**11,802**	**13,276**	**14,441**	**15,725**

Direct Investment in Canada by Countries Other Than the United States and United Kingdom

Direct investment in Canada by countries other than the United States and United Kingdom amounted to $537 million at the end of 1958, having grown nearly ninefold in the post-war years. About one-third of the increase since 1945 occurred in the two years between 1955 and 1957, when the book value rose by 50 per cent. This rate of growth was considerably higher than for either the United States or United Kingdom, although of course the amounts involved are smaller. By the end of 1959 these investments are estimated to have increased further to $600 million.

Statement 19 shows the geographic distribution of ownership of these investments at the end of 1955 and of 1957. It reveals the exceptionally rapid growth of direct investment by the Federal Republic of West Germany which quadrupled in the two year period. The next largest increases were in investments by Belgium, France, and Switzerland. Belgium was the leading country at the end of 1957 as in 1955. French direct investments grew more rapidly in the two year period than those of Switzerland, the values being equal at the end of 1957. German investments were the next largest group at the end of 1957. The largest part of Belgian investment was in the petroleum industry. French and Swiss investments were largely in the financial category, which includes also real estate ownership. German investments on the other hand were largely in the manufacturing field.

The figures do not include "miscellaneous investments" in real estate, mortgages, assets administered for non-residents, private investment companies, etc., which amounted to $329 million at the end of 1958. Some of these investments are similar in character to the direct investment covered in the statement.

The channels used by many overseas countries for portfolio investment in Canada, which at the end of 1958 amounted to $616 million, preclude identification by country of ownership, but the overwhelming part of the total may be considered to be owned in Western Europe.

STATEMENT 19. Direct Investment in Canada by Countries other than the United States and United Kingdom, End of 1955 and 1957

Country of ownership	Book value 1955	Book value 1957
	millions of dollars	
Australia	6	6
Other sterling area	8	14
Sub-totals, sterling area excluding United Kingdom	**14**	**20**
Belgium	107	139
Denmark	7	7
France	64	92
Germany	14	56
Netherlands	9	23
Sweden	12	19
Switzerland	72	92
Other OEEC countries	3	4
Sub-totals, OEEC countries other than sterling area	**288**	**432**
Panama	2	6
Other Latin American countries	1	3
Sub-totals, Latin America	**3**	**9**
Other countries[1]	20	32
Totals[2]	**325**	**493**

[1] Includes some $19 million in 1955 and $32 million in 1957 whose beneficial ownership has not been identified by country.

[2] Distribution of these totals by industry will be found in Table X, part D.

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 6,355 by the end of 1958. The increase during the year was 350. As will be seen in Statement 20 the Bureau's records covered nearly 9,000 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1958. The total number of Canadian corporations of all sorts at the beginning of that year was about 93,800. Statement 20 also shows the great corporate activity in the field of foreign investment in 1958.

Canadian Capital Invested Abroad

Canadian long-term external investments have also been rising, although the rates of growth have been more moderate in recent years than in the case of long-term non-resident owned investments in Canada. Excluding Canada's subscriptions to the capital of international financial institutions, against which there are substantial short-term liabilities, Canadian long-term external assets are placed at $4.9 billion at the end of 1959. The growth of nearly 15 per cent since the end of 1954 is in sharp contrast with the growth by nearly two-

thirds for long-term non-resident-owned investments in Canada.

Some 30 per cent of Canadian long-term investments abroad are in the form of Government of Canada loans and advances which are being reduced by annual principal payments. About 23 per cent of the total is represented by portfolio holdings of foreign stocks and bonds, while the largest part, 47 per cent, is in the form of Canadian direct investment abroad.

STATEMENT 20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1958

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
Number at beginning of year	4,449	1,121	435	6,005	2,284	8,289
Add						
New concerns with foreign capital	+ 305	+ 50	+ 39	+ 394	+ 63	+ 457
Transfers of control	+ 12	+ 6	+ 10	+ 28	+ 20	+ 48
Subtract						
Transfers of control	- 23	- 4	- 7	- 34	- 14	- 48
Concerns now wholly-owned by Canadians	- 22	- 4	- 2	- 28	- 17	- 45
Concerns liquidated, merged, etc.	- 128	- 18	- 7	- 153	- 31	- 184
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 78	+ 59	+ 6	+ 143	+ 43	+ 186
Number at end of year (Table XI)	4,671	1,210	474	6,355	2,348	8,703

Note: These numbers exclude more than 200 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

It should be borne in mind that there is a substantial beneficial ownership by non-residents in Canadian investment abroad, and that it has been a rising proportion of the total. A later section of this report reveals that at the end of 1958 some $0.9 billion or 43 per cent of Canadian direct investment abroad, equivalent to about 29 per cent of all private Canadian long-term investments abroad, was owned indirectly by non-residents.

The industrial detail of Canadian direct investment abroad, and some geographical detail, will be found in Table VII. A more detailed regional analysis appears in Statement 21, while a special analysis of total Canadian investment in Latin America will be found below.

Canadian Investments in Latin America

Canada's private long-term assets in Latin American republics and United States possessions were valued at $329 million at the end of 1958. This represented about 10 per cent of total private Canadian investment abroad, or nearly one-third of the investment outside of the United States. While the total value has not changed much since 1954, the relative position of investments in Latin America among Canada's external assets has, of course, declined.

STATEMENT 21. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends 1949-58

Area	1949	1954	1958
	millions of dollars		
United States	721	1,240	1,465
United Kingdom	59	119	200
Latin America	47	77	137
Other America	25	55	155
Africa	20	48	64
Europe	19	34	62
Australia	25	40	56
Asia	10	15	35
Totals	**926**	**1,628**	**2,174**

Note: For industrial distribution see Table VII.

As has been the case for many years, Canadian investment in Latin America is heavily concentrated in a relatively few companies. While a number of Canadian banks and insurance companies operate in Latin America, their capital investment is on balance small because of the nature of their operations, and it is not included in the total.

Although a trend toward increased diversification is evident in Statement 22, the Canadian total continues to be dominated by long-standing Canadian investment in utilities in Latin America, in a number of which Canadian capital is associated with important investment from other countries. The total investment in Latin America of all companies incorporated in Canada is very much larger than the actual investment owned by Canadians because of substantial non-Canadian interest in some of these companies. In 1954 the total was estimated to be of the order of $1.1 billion and it has grown further since that time to about $1.5 billion.

STATEMENT 22. Canadian Investment in Latin American Republics[1] Selected Year Ends, 1954 and 1958

Book value of direct and portfolio investments	1954	1958
	millions of dollars	
Utilities	245	213
Industrial and commercial concerns	20	53
Petroleum	19	13
Mining	20	34
Other investments	18	16
Totals	**322**	**329**
Mexico, Central America, and Antilles	33	60
South America	289	269
Totals	**322**	**329**

[1] Includes also United States possessions.

Equity of Non-Residents in Canadian Assets Abroad

Non-residents of Canada have an important equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.[11] This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in Statement 23. The total capital at the disposition of Canadian direct investment companies abroad would be larger than is indicated by the total value of Canadian direct investments abroad which reflects only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

Total direct investments abroad of Canadian companies are frequently more significant for the Canadian balance of payments than the Canadian equity. For example, it is the total capital movements and the total income transfers arising from these investments that are relevant. Effect on the balance of payments is an important criterion for inclusion of investments abroad of Canadian companies. There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian direct investment abroad because their international transactions are of no relevance to the Canadian balance of payments.

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches to the question which may be of general interest have been adopted. The first is an attempt to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and net investment. The significance of the latter comparison lies partly in the fact that new financing

[11] For a description of the statistical technique followed to derive estimates of foreign investment in Canada see, *Canada's International Investment Position 1926-1954*, page 67.

STATEMENT 23. Non-resident Equity and Control of Canadian Direct Investments Abroad, Selected Year Ends, 1954-58

Item	End of 1954		End of 1957		End of 1958	
	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity						
United States residents	484	30	685	33	779	36
United Kingdom residents	85	5	85	4	92	4
Other non-residents	35	2	64	3	69	3
Sub-total: non-residents	**604**	**37**	**834**	**40**	**940**	**43**
Canadian residents	1,024	63	1,250	60	1,234	57
Totals	**1,628**	**100**	**2,084**	**100**	**2,174**	**100**
Control						
United States controlled Canadian companies	425	26	691	33	798	36
Other foreign controlled Canadian companies	21	1	29	2	36	2
Sub-totals: foreign control	**446**	**27**	**720**	**35**	**834**	**38**
Canadian controlled companies and resident Canadian individuals	1,182	73	1,364	65	1,340	62
Totals	**1,628**	**100**	**2,084**	**100**	**2,174**	**100**

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

from abroad is normally for additions to the stock of capital rather than for replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of "Canada's International Investment Position 1926-1954".

A. Use of Foreign Resources

1 { *Current account deficit* (net), adjusted for *retained earnings* of foreign direct investments in Canada and Canadian direct investments abroad, plus *capital consumption allowances* and *depletion* on foreign direct investments in Canada
---
Total private and public investment in Canada, plus value of physical change in inventories

2 { As in A1 but excluding capital consumption allowances

As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments

B. Direct Foreign Financing of Investment

{ *Direct investment* in Canada, plus *retained earnings* on foreign direct investments, *new issues* of Canadian securities sold to non-residents,[12] other *long-term financing*, changes

1 { in *accounts payable*, and *capital consumption allowances* and *depletion* on foreign direct investments in Canada
---
Total private and public domestic investment in Canada, plus value of physical change in inventories

2 { As in B1 but excluding capital consumption allowances

As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments

The results of these measurements are portrayed in the charts and summarized in Statement 24. These show the substantially increased importance of non-resident investment in Canada in the 1950's to date. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. And for the years 1956 to 1959 during which tremendous capital formation occurred, these ratios rose to more than one-third and more than two-fifths respectively. The two measures have special meaning. From 1956 to 1959 Canadian sources of savings were sufficiently large to finance nearly two-thirds of net capital formation (as reflected in measure A2), but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings directly financed a smaller part of net capital for

[12] Other than government borrowing of $150 million in 1948 which served to replenish official holdings of exchange.

mation in Canada, with non-residents directly financing the balance of about 45 per cent as shown in measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to nearly one-quarter of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

When interpreting the ratios developed in this section of this report, it should be borne in mind that they cover the whole field of private and public capital formation. The chart showing the individual components will serve to remind readers of the large elements of housing and other social capital in the financing of which foreign capital plays only a minor role. The investment series elsewhere in this report relate foreign ownership and control to the specific sectors in which it plays a particularly significant part.

A potent force underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources. But detailed study of the structure of industry and of the capital market and its relationship to the mobilization and direction of domestic savings all lie beyond the field of this report.

STATEMENT 24. Foreign Financing of all Canadian Investment, 1946-59

Measure	1946-1949	1950-1955	1956-1959
	percentages		
A. Use of foreign resources as a percentage of:			
1 gross capital formation	—	17	27
2 net capital formation	-11	19	35
B. Direct foreign financing of:			
1 gross capital formation	19	25	33
2 net capital formation	24	33	45

Foreign Ownership and Control of Canadian Industry

The estimates appearing in Tables XII to XVI bring forward to 1957 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce. The figures were originally published in a supplement to the last report in this series, but have been revised. Later data are not yet available on the Canadian-owned portion of the investments.

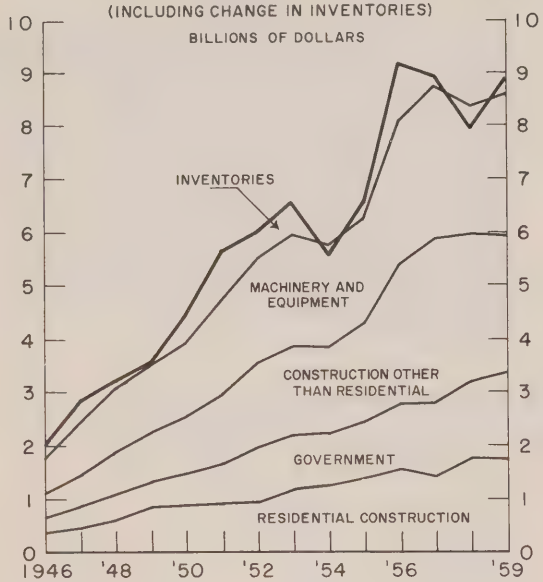
The large volume of business fixed capital formation undertaken in 1956 and 1957 was accompanied by increased non-resident ownership and control. In each year more than half of the increases in the book values of the manufacturing industry and the petroleum and natural gas industry were reflected in increased non-resident ownership and control, while over the two year period this was also true of the increase in book value of mining and smelting.

The non-resident-owned proportion of the manufacturing, mining, utilities and merchandising industries, taken as a group, rose to nearly 35 per cent, an increase in the two years of more than two percentage points from the figure of over 32 per cent, which had remained relatively unchanged since 1948. In the three year period between the end of 1954, when estimates for the petroleum and natural gas industry as a whole first became available, and the end of 1957, the proportions of this industry owned by non-residents rose from 60 per cent to 64 per cent. The growth of natural gas transmission lines controlled and financed in part in Canada, and the coincident renovation and expansion of natural gas distribution systems in which Canadian capital has been prominent, have had an important influence on the total, reflected in an actual reduction of one percentage point in the non-resident-owned share in 1957. The non-resident-owned proportion of manufacturing and of utilities other than railways (excluding in each case com-

FINANCING OF ALL CANADIAN INVESTMENT

COMPONENTS OF PRIVATE AND PUBLIC INVESTMENT IN CANADA

(INCLUDING CHANGE IN INVENTORIES)



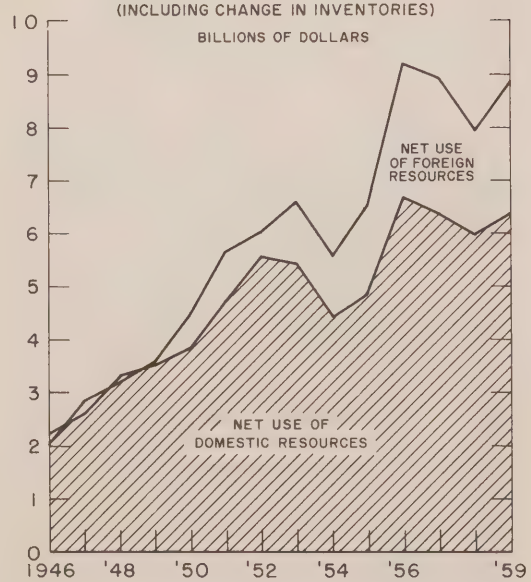
STATEMENT 25. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada 1946 - 59

	Gross capital formation	Net use of domestic resources	Net use of foreign resources
	billions of dollars		
1946	2.0	2.2	- .2
1947	2.8	2.6	.2
1948	3.2	3.3	- .1
1949	3.6	3.5	.1
1950	4.5	3.8	.6
1951	5.7	4.8	.9
1952	6.0	5.6	.4
1953	6.6	5.4	1.2
1954	5.6	4.4	1.2
1955	6.6	4.9	1.7
1956	9.1	6.7	2.4
1957	8.9	6.3	2.6
1958	7.9	5.0	2.0
1959	8.9[p]	6.4[p]	2.5[p]

For statistical method see measure A1 in accompanying text.

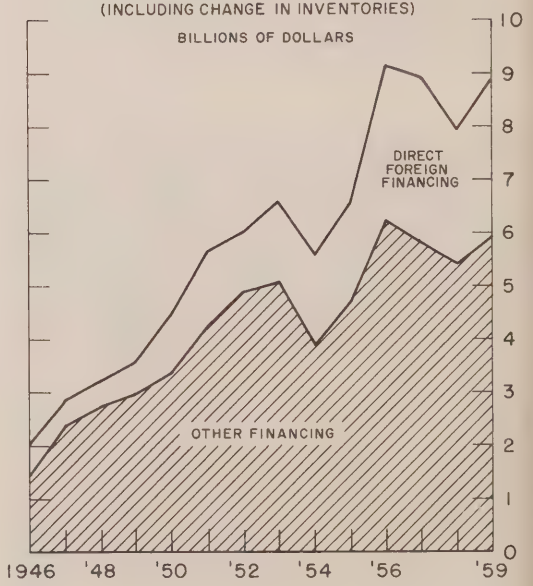
PRIVATE AND PUBLIC INVESTMENT IN CANADA

(INCLUDING CHANGE IN INVENTORIES)



PRIVATE AND PUBLIC INVESTMENT IN CANADA

(INCLUDING CHANGE IN INVENTORIES)



ponents of the petroleum and natural gas industry), each rose by three percentage points in 1956 and 1957, to 50 per cent and 15 per cent respectively. On the other hand, over the two year period non-resident ownership of Canadian mining and smelting fell by one percentage point to 56 per cent, and of Canadian railways by three percentage points to 30 per cent.

This pattern has been broadly characteristic of the change over the period since 1926 covered by comparable estimates. Proportions of Canadian manufacturing, petroleum and natural gas, and mining and smelting owned by non-residents have been increasing, but non-resident ownership of utilities has been declining relative to resident ownership. The substantial growth in government-owned hydro-electric installations and railways has contributed to the increased Canadian ownership, which in turn has been the principal factor in reducing the non-resident ownership of Canadian industry and commerce generally from 37 per cent in 1926 to 35 per cent in 1957.

The proportion of Canadian industry and commerce represented by companies controlled by non-residents has continued to rise. For manufacturing, mining, utilities, and merchandising, taken as a whole, the non-resident-controlled proportion climbed three percentage points in 1956 and 1957, to 33 per cent. This compared with 25 per cent in 1948. In the three year period since the end of 1954, non-resident control of the petroleum and natural gas industry as a whole rose from 69 per cent to 76 per cent. The effect of the development of the natural gas industry on this proportion was mentioned earlier. For other mining and smelting the non-resident-controlled proportion rose in 1956 and 1957 from 57 per cent to 61 per cent. Important in this change was the growing proportion of investment controlled in overseas countries. This rose from 2 per cent to 9 per cent reflecting in part the development of British-controlled uranium enterprises. Non-resident control of railways remained unchanged at 2 per cent and non-resident control of other utilities fell from 7 per cent to 5 per cent. Here, again, the pattern was characteristic of the development over the period since 1926, with significant growths of non-resident control in the manufacturing, petroleum and natural gas, and mining and smelting industries, and decreasing non-resident control in the utilities sector.

The Canadian controlled proportion of investment in Canada in the industries under review amounted to 67 per cent at the end of 1957. About 20 percentage points represent investment in government enterprises. These investments are heavily concentrated in railways, where government enterprises account for 64 percentage points of the 98 per cent controlled by residents, and in other utilities where they account for 62 percentage points of the 95 per cent controlled by residents. There are other government enterprise elements included in manufacturing and mining and smelting, but they are relatively insignificant. The data for merchandising make no allowance for provincially-owned liquor distribution systems.

Other facets of non-resident ownership and control which should be mentioned in any review of long-run developments include the increased dependence on the United States as a source of investment capital. Again taking the group manufacturing, petroleum and natural gas, mining and smelting, utilities and merchandising, ownership in 1926 was 63 per cent Canadian, 19 per cent by residents of the United States, and 18 per cent by residents of overseas countries. By 1957 Canadian ownership accounted for 65 per cent, United States ownership for 27 per cent, and ownership by residents of overseas countries for 8 per cent. Over the intervening years the most rapid growth in the investments was in the group owned by residents of the United States. The trend was even more pronounced in the distribution of these investments by country of control. In 1926 the industries were 83 per cent Canadian-controlled, 15 per cent United States-controlled, and 2 per cent controlled by residents of other countries. By 1957 the Canadian-controlled proportion had fallen to 67 per cent, and the proportions controlled by residents of the United States and of overseas countries had risen respectively to 27 per cent and 6 per cent. The growth in the underlying equity investments owned by non-residents which gave rise to these shifts in control has been one of the more significant features of the development of foreign investment in Canada.

These percentages of foreign ownership and control of selected Canadian industry are given in Tables XII and XIV. The book value estimates on which they are based appear in Table XVI, and here the non-resident contribution is again strikingly revealed. The book value of the manufacturing industry, excluding petroleum refining, is estimated to have grown by $2.3 billion between 1954 and 1957. Non-resident ownership accounted for $1.4 billion of the growth, compared with the $0.9 billion represented by Canadian ownership. Non-resident-controlled manufacturing rose even more by $1.6 billion, with resident-controlled manufacturing rising by $0.7 billion. For the petroleum and natural gas industry as a whole, the book value rose by $2.0 billion of which $1.4 billion was non-resident-owned and $1.7 billion non-resident-controlled. For mining and smelting, excluding petroleum and natural gas exploration and development, the book value rose $0.9 billion and non-resident ownership and control accounted respectively for $0.6 billion and $0.7 billion of this growth. These were, of course, the more dynamic sectors of the economy where non-resident activity was concentrated. In manufacturing, petroleum and natural gas, mining and smelting, utilities, merchandising and construction, as a whole, the book value of investment rose in the three years by $9.0 billion. Non-resident-owned investments contributed $3.8 billion or somewhat more than 40 per cent of the growth. Non-resident-controlled investments contributed $4.2 billion.

It should again be emphasized that these comparisons relate only to selected Canadian industries, and that there are other broad areas of national wealth including, for example, agriculture and social capital, in which non-resident ownership and control is relatively insignificant. The financial book value series which appear in this report include land, inventories, and financial working capital in addition to capital expended on construction, machinery and equipment; for this reason and because of varying methods of reflecting capital consumption and changes in price levels, they are not directly comparable with other estimates of capital formation and of the stock of capital. As some indication of the magnitude of national wealth falling outside the areas encompassed within the above ratios, it is of interest to note that the net stock of social capital (government, housing and institutions) has been estimated as being not greatly smaller than the net stock of industrial capital (including agriculture).[13] And there are still other important areas of Canadian wealth such as Canada's external investments, not to mention the significant savings represented by ownership of automobiles and other durables, non-industrial land and such intangible social investment as education.

More detailed industry data for the ownership and control of Canadian industry appear in Table XV which covers most of the commodity-producing industries other than agriculture. In particular the figures show the marked variation in the degree of non-resident ownership and control in various types of manufacturing. A notable change occurred in 1957 in the primary iron and steel category where non-resident ownership increased from 16 per cent to 24 per cent, and control from 7 per cent to 26 per cent. Non-resident ownership of the transportation equipment industry, on the other hand, fell from 58 per cent to 47 per cent reflecting stock issues and other financing carried out by a foreign-controlled concern in Canada. The sub-divisions smelting and refining of non-ferrous native ores and other mining, are affected by the reclassification of a Crown corporation from the latter to the former classification.

It should be noted that book value series are based on corporate classifications, and that consequently the entire investment in Canada of the corporation and its subsidiaries is normally attributed to its principal activity. In the case of some of the industrial sub-divisions shown this could have significant effects.

Miscellaneous Investments

Statement 26 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. These investments include Canadian securities, real estate, mortgages, and other assets held or administered for non-residents by trustees, agents, nominees, private investment companies, etc. Measurement is necessarily not as precise as the direct ownership of Canadian concerns and securities by non-residents.

The large total of foreign investment in Canada held by these intermediaries of one type or another is a measure of the complex channels sometimes followed by international investment. The largest part of the total of over one billion dollars is represented by investment in Canadian securities conservatively estimated at $613 million. Perhaps two-thirds of this covers investment in Canadian stocks, some of public companies, some of private and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling $285 million most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled $150 million.

[13] Wm. C. Hood and Anthony Scott: *Output, Labour and Capital in the Canadian Economy* (A Study for the Royal Commission on Canada's Economic Prospects). pp. 450-451.

STATEMENT 26. Detail of Foreign Investment in "Miscellaneous Investments[1]" Category Year Ends, 1952-58

Type	Year end							Country of ownership 1958		
	1952	1953	1954	1955	1956	1957	1958	United States	United Kingdom	Other countries
	millions of dollars									
Canadian securities	225	243	302	313	413	479	613x	142	173	298
Mortgages on Canadian real estate	77	76	109	168	250	255	285	279	3	
Real estate in Canada	120	118	115	120	125	115	115	83	13	19
Other investments	25	30	35	40	30	30	35	17	9	9
Totals as in Tables VIII and IX	**447**	**467**	**561**	**641**	**818**	**879**	**1,048**	**521**	**198**	**327**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.

Many other non-resident holdings of the types of assets shown in the statement are covered, although not similarly classified, in other categories of non-resident-owned investments shown in Tables VIII and IX. Mortgage debt of Canadian companies which is held directly by non-resident investors appears, for example, among "other corporation assets" in Table VIII. Large amounts of real estate are owned by Canadian companies classified by industrial function in Table IX, the companies formed specifically for the holding of real estate or mortgages being grouped with financial institutions. A part of the unclassified Canadian securities component of Statement 26 also reflects investment in private real estate holding companies.

BALANCE OF PAYMENTS PRESENTATIONS

The balance of payments has been defined by the International Monetary Fund[14] as a system of accounts to record systematically (1) flows of real resources, including the services of the original factors of production, between the domestic economy of a country and the rest of the world, (2) changes in the country's foreign assets and liabilities that arise from economic transactions, and (3) transfer payments, which are the counterpart of real resources or financial items provided to, or received from, the rest of the world without any quid pro quo. Canadian balance of payments statistics conform in most respects to internationally accepted concepts.[15]

The balance of payments, as a system of accounts, lends itself to a variety of possible arrangements to serve various analytic ends. The basic presentation retained in Canadian publications emphasizes the aspects of international economic relations set out in the preceding paragraph. The current account deficit is a measure of the extent to which Canada draws on balance on the real resources of the rest of the world to provide for consumption and investment. The capital account shows the financing involved in this process, and indicates the changes in Canada's external assets and liabilities arising from financial transactions as well. This presentation is particularly suited to Canada's circumstances, and draws attention on the whole to rather longer term implications of Canada's characteristic balance of payments.

Other presentations may be more suitable under different circumstances. When transfer payments are of greater relative significance in the balance of payments than is currently the case in Canada, they are given greater prominence in the statistical presentation. Thus, for the wartime period when great transfer payments were made by Canada to finance external costs of the war efforts of allies, they were shown in a category separate from the current account. When short-run adjustments in a nation's external accounts are reflected largely in variations in the level of official holdings of gold and foreign exchange, these are given special prominence. Thus, when Canada adhered to fixed exchange rates and adjustment of Canada's external accounts was achieved largely by direct controls and by changes in official holdings of gold and foreign exchange, these changes were shown as the residual total of all Canada's current and other capital transactions.

This concept of international liquidity is also of great importance to countries whose currencies are widely held as international reserves, and varying combinations of short-term liabilities and assets are segregated from the rest of the balance of payments to leave a key figure which is sometimes referred to as "the" balance of payments. Thus, attention in the United States tends to be focused on the substantial increases of foreign gold and liquid dollar assets through transactions with the United States, while in contrast in Canada it tends to be focused on the recurring large current account deficits and their effect on Canada's foreign indebtedness. This financing is largely in long-term forms, and although Canada's current deficit (including transfer payments) is relatively many times that of the United States, the liquidity aspect is of much less significance at the present time than the size. These preoccupations emphasize the difference in the balance of payments "problems" and the character of any relevant policy decisions for the two countries.

Yet another presentation of the balance of payments is appropriate for analysis of exchange rate fluctuations. For this purpose it would be most useful to rank all balance of payments transactions in order from those which are least, to those which are most, responsive to exchange rate considerations. A balance of payments statement presented on this basis showing the changing primary forces of supply and demand acting on the exchange rate, and the reactions of other items serving in an equilibrating role, will go some way towards explaining fluctuations in the rate. But in practice this subjective division can be extremely difficult. Two examples of the difficulties may suffice. Particular categories of transactions may at one time tend to play an equilibrating role in the exchange market, but at another an autonomous one, e.g., sales of Canadian bonds have sometimes occurred because of exchange rate considerations, and at other times despite them. And an intimate knowledge of the basic data reveals that a given category may contain at the same time a mixture of both autonomous and induced transactions, e.g. the flow of direct investment capital, often thought to be practically uninfluenced by short-run exchange rate changes, may be speeded up through transfers in excess of immediate requirements or deferred through temporary local borrowing because of exchange rate expectations.

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[14] Balance of Payments Manual, final draft, Third Edition, February 1960.

[15] The flow of real resources and transfer payments are combined in the current account in Canadian data, but the major transfer payments may be readily segregated, comprising items A7, B7, B9 and B10 in their entirety, and the personal and institutional remittances included in items A11 and B11 as shown in Statement 11.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1958 and 1959

Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
	1958	1959[P]	1958	1959[P]	1958	1959[P]	1958	1959[P]	1958	1959[P]	1958	1959[P]
	millions of dollars											
Current receipts:												
Merchandise exports (adjusted)	4,887	5,153	2,908	3,193	766	781	299	289	522	449	392	441
Mutual Aid to NATO countries	142	63	..	..	..	..	..	..	..	..	..	..
Gold production available for export	160	148	160	148	—	—	—	—	—	—	—	—
Travel expenditures	349	393	309	351	18	18	6	6	11	12	5	6
Interest and dividends	168	183	100	97	32	34	13	28	13	14	10	10
Freight and shipping	401	422	206	232	84	79	24	26	46	49	41	36
Inheritances and immigrants' funds	97	109	47	48	17	26	13	9	14	17	6	9
All other current receipts	375	388	280	307	43	42	8	8	29	19	15	12
Total current receipts	**6,579**	**6,859**	**4,010**	**4,376**	**960**	**980**	**363**	**366**	**635**	**560**	**469**	**514**
Current payments:												
Merchandise imports (adjusted)	5,066	5,533	3,443	3,710	537	596	212	242	302	364	572	621
Travel expenditures	542	593	413	445	52	61	11	13	52	57	14	17
Interest and dividends	612	656	500	537	76	80	1	1	33	36	2	2
Freight and shipping	460	512	294	324	70	82	3	3	79	88	14	15
Inheritances and emigrants' funds	145	154	104	113	26	26	2	2	11	11	2	2
Official contributions	53	71	—	—	—	—	49	64	1	1	3	6
Mutual Aid to NATO countries	142	63	..	..	..	..	..	..	..	..	..	..
All other current payments	690	706	432	462	95	88	16	17	116	105	31	34
Total current payments	**7,710**	**8,288**	**5,186**	**5,591**	**856**	**933**	**294**	**342**	**594**	**662**	**638**	**697**
Balance on merchandise trade	− 179	− 380	− 535	− 517	+229	+185	+ 87	+ 47	+220	+ 85	−180	−180
Balance on other transactions, excluding B9	− 899	− 978	− 641	− 698	−125	−138	+ 31	+ 41	−178	−186	+ 14	+ 3
Official contributions	− 53	− 71	—	—	—	—	− 49	− 64	− 1	− 1	− 3	− 6
Current account balance	**−1,131**	**−1,429**	**−1,176**	**−1,215**	**+104**	**+ 47**	**+ 69**	**+ 24**	**+ 41**	**−102**	**−169**	**−183**
Capital account:												
Direct investment:												
Direct investment in Canada	+ 420	+ 500	+ 303	+ 388	+ 87	+ 61	+ 4	− 1	+ 28	+ 53	− 2	− 1
Direct investment abroad	− 48	− 70	− 3	− 1	− 5	− 43	− 11	− 9	− 5	− 5	− 24	− 12
Canadian securities:												
Trade in outstanding bonds and debentures	—	+ 93	− 10	+ 21	+ 3	+ 4	—	—	+ 17	+ 64	− 10	+ 4
Trade in outstanding common and preference stocks	+ 88	+ 109	+ 70	+ 74	+ 4	+ 7	—	—	+ 14	+ 28	—	—
New issues	+ 677	+ 704	+ 600	+ 621	+ 41	+ 43	—	—	+ 26	+ 40	+ 10	—
Retirements	− 158	− 245	− 132	− 200	− 16	− 27	—	—	− 10	− 18	—	—
Foreign securities:												
Trade in outstanding issues	+ 13	− 33	+ 11	− 34	+ 2	+ 3	—	—	—	− 2	—	—
New issues	− 17	− 13	− 13	− 8	—	—	—	—	—	—	− 4	− 5
Retirements	+ 7	+ 10	+ 4	+ 6	+ 1	—	—	+ 2	—	—	+ 2	+ 2
Loans by Government of Canada:												
Drawings	− 34	− 1	—	—	—	—	− 34	− 1	—	—	—	—
Repayment of post-war loans	+ 34	+ 34	—	—	+ 16	+ 16	—	—	+ 18	+ 18	—	—
Repayment of war loans	+ 30	—	—	—	+ 30	—	—	—	—	—	—	—
Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	—	− 59	—	− 59	—	—	—	—	—	—	—	—
Change in Canadian dollar holdings of foreigners	+ 106	+ 12	+ 83	+ 7	+ 4	− 10	+ 5	− 9	+ 4	+ 10	+ 10	+ 14
Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	− 109	+ 70	− 108	+ 67	− 1	+ 3	—	—	—	—	—	—
Other capital movements	+ 122	+ 318	+ 147	+ 310	− 39	− 3	—	− 4	+ 12	+ 11	+ 2	+ 4
Net capital movement	**+1,131**	**+1,429**	**+ 952**	**+1,192**	**+127**	**+ 54**	**− 36**	**− 22**	**+104**	**+199**	**− 16**	**+ 6**
Balance settled by exchange transfers	—	—	**+ 224**	**+ 23**	**−231**	**−101**	**− 33**	**− 2**	**−145**	**− 97**	**+185**	**+177**
Total financing of current account balance (item C)	**+1,131**	**+1,429**	**+1,176**	**+1,215**	**−104**	**− 47**	**− 69**	**− 24**	**− 41**	**+102**	**+169**	**+183**

s: Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other
C Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area:
ly, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey.
All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IBRD, IFC and IMF
all other countries not specified above.
10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.
A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.
Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	195
		millions of dollars													
A	**Current receipts:**														
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,1
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	1
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	3
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	168	1
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	4
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	97	1
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	3
12	**Total current receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,072**	**6,621**	**6,622**	**6,579**	**6,8**
B	**Current payments:**														
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,5
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	542	5
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	6
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	5
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	145	1
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	40	53	
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	7
12	**Total current payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,770**	**7,987**	**8,077**	**7,710**	**8,2**
	Balance on merchandise trade	+ 571	+ 188	+ 432	+ 293	+ 10	− 147	+ 489	− 58	+ 13	− 211	− 728	− 594	− 179	− 3
	Balance on other transactions, excluding B9	− 111	− 101	+ 42	− 110	− 339	− 361	− 309	− 360	− 434	− 463	− 608	− 821	− 899	− 9
	Official contributions	− 97	− 38	− 23	− 6	− 5	− 9	− 16	− 25	− 11	− 24	− 30	− 40	− 53	−
C	**Current account balance**	+ 363	+ 49	+ 451	+ 177	− 334	− 517	+ 164	− 443	− 432	− 698	−1,366	−1,455	−1,131	−1,4
D	**Capital account:**														
	Direct investment:														
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 417	+ 583	+ 514	+ 420	+
2	Direct investment abroad	− 14	+ 6	+ 15	+ 13	+ 36	− 20	− 77	− 63	− 81	− 74	− 104	− 68	− 48	−
	Canadian securities:														
3a	Trade in outstanding bonds and debentures	+ 194	− 13	+ 3	+ 8	+ 329	+ 38	− 166	− 52	− 66	− 165	+ 11	− 45	—	+
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+ 129	+ 138	+ 188	+ 137	+ 88	+
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166	+ 667	+ 798	+ 677	+
5	Retirements	− 539	− 364	− 114	− 147	− 284	− 184	− 89	− 146	− 203	− 184	− 141	− 133	− 158	−
	Foreign securities:														
6	Trade in outstanding issues	+ 25	+ 1	− 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 24	+ 13	−
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 20	− 23	− 33	− 48	− 18	− 24	− 17	−
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	—	+ 6	+ 7	+
	Loans by Government of Canada:														
9	Drawings	− 750	− 565	− 142	− 120	− 50	—	—	—	—	—	—	—	− 34	−
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 20	+ 34	+
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	−
14	Change in Canadian dollar holdings of foreigners	+ 70	− 26	− 21	+ 40	+ 233	− 192	− 66	− 18	+ 34	+ 89	− 24	− 35	+ 106	+
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 267	+ 742	− 492	− 128	− 722	− 56	− 37	+ 38	− 124	+ 44	− 33	+ 105	− 109	+
17	Other capital movements	+ 31	− 27	+ 7	− 80	+ 210	+ 128	− 511	− 185	− 28	+ 204	+ 152	+ 126	+ 122	+
E	**Net capital movement**	− 363	− 49	− 451	− 177	+ 334	+ 517	− 164	+ 443	+ 432	+ 698	+1,366	+1,455	+1,131	+1,

Notes:

AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.

D17 Includes for years 1946 to 1950 transactions shown separately under items D 12 and 15 in "The Canadian Balance of International Payments in the War Years, 1946-1952".

A—G For other notes applicable to this table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959[P]
		millions of dollars													
	Current receipts:														
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931	2,908	3,193
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	97
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	222	206	232
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	48
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	303	280	307
12	**Total current receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**4,015**	**4,070**	**4,010**	**4,376**
	Current payments:														
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878	3,443	3,710
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	445
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	537
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	324
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104	113
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	462
12	**Total current payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,654**	**5,649**	**5,186**	**5,591**
	Balance on merchandise trade	− 430	− 890	− 289	− 378	− 47	− 516	− 471	− 588	− 445	− 685	−1,167	− 947	− 535	− 517
	Balance on other transactions	− 177	− 244	− 104	− 223	− 353	− 435	− 378	− 316	− 362	− 350	− 472	− 632	− 641	− 698
	Current account balance	**− 607**	**−1,134**	**− 393**	**− 601**	**− 400**	**− 951**	**− 849**	**− 904**	**− 807**	**−1,035**	**−1,639**	**−1,579**	**−1,176**	**−1,215**
	Capital account:														
	Direct investment:														
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306	+ 406	+ 390	+ 303	+ 388
2	Direct investment abroad	− 7	+ 6	+ 15	+ 16	+ 41	− 4	− 42	− 33	− 46	− 56	− 70	− 35	− 3	− 1
	Canadian securities:														
3a	Trade in outstanding bonds and debentures	+ 241	− 3	+ 5	+ 25	+ 362	+ 20	− 170	− 85	− 87	− 159	− 35	− 70	− 10	+ 21
3b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 74
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127	+ 601	+ 722	+ 600	+ 621
5	Retirements	− 460	− 313	− 96	− 136	− 263	− 159	− 75	− 132	− 184	− 169	− 133	− 105	− 132	− 200
	Foreign securities:														
6	Trade in outstanding issues	+ 21	− 2	− 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	− 34
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 5	− 18	− 3	− 8	− 13	− 15	− 13	− 8
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—	+ 4	+ 4	+ 6
3	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	− 59
4	Change in Canadian dollar holdings of foreigners	+ 27	− 3	− 14	− 8	+ 89	− 53	− 37	− 1	+ 19	+ 66	− 48	− 10	+ 83	+ 7
6	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 251	+ 743	− 496	− 134	− 694	− 39	− 80	+ 42	− 121	+ 42	− 34	+ 104	− 108	+ 67
7	Other capital movements	+ 8	− 2	+ 1	− 38	+ 249	+ 59	− 458	− 223	+ 18	+ 151	+ 107	+ 58	+ 147	+ 310
	Net capital movement	**+ 331**	**+ 505**	**− 385**	**− 70**	**+ 267**	**+ 515**	**− 158**	**+ 244**	**+ 277**	**+ 425**	**+ 856**	**+1,068**	**+ 952**	**+1,192**
	Balance settled by exchange transfers	**+ 276**	**+ 629**	**+ 778**	**+ 671**	**+ 133**	**+ 436**	**+1,007**	**+ 660**	**+ 530**	**+ 610**	**+ 783**	**+ 511**	**+ 224**	**+ 23**
	Total financing of current account balance (item C)	**+ 607**	**+1,134**	**+ 393**	**+ 601**	**+ 400**	**+ 951**	**+ 849**	**+ 904**	**+ 807**	**+1,035**	**+1,639**	**+1,579**	**+1,176**	**+1,215**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
		millions of dollars													
A	**Current receipts:**														
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	818	734	766	78
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	1
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	3
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	7
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	2
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	4
12	**Total current receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,015**	**938**	**960**	**98**
B	**Current payments:**														
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520	537	59
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	6
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	8
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	8
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	2
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	8
12	**Total current payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	**763**	**820**	**856**	**93**
	Balance on merchandise trade	+488	+567	+416	+401	+ 70	+219	+377	+193	+269	+366	+325	+214	+229	+18
	Balance on other transactions	+ 12	+ 66	+ 70	+ 45	– 46	+ 4	+ 11	– 60	– 40	– 36	– 73	– 96	–125	–13
C	**Current account balance**	**+500**	**+633**	**+486**	**+446**	**+ 24**	**+223**	**+388**	**+133**	**+229**	**+330**	**+252**	**+118**	**+104**	**+**

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	**Current receipts:**														
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	256	246	299	28
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	
7	Inheritances and immigrants' funds	–	1	2	1	1	3	3	4	4	4	5	8	13	
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	
12	**Total current receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	**324**	**315**	**363**	**36**
B	**Current payments:**														
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	222	239	212	24
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	1
5	Interest and dividends	1	1	1	1	–	–	–	–	–	1	1	1	1	
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2	3	
7	Inheritances and emigrants' funds	–	–	1	2	1	1	1	1	1	1	1	2	2	
9	Official contributions	5	–	–	–	–	–	15	18	8	22	28	38	49	6
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	
12	**Total current payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	**276**	**311**	**294**	**34**
	Balance on merchandise trade	+140	+206	+101	+113	– 43	– 45	+108	+ 79	+ 23	+ 43	+ 34	+ 7	+ 87	+
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29	+ 39	+ 42	+ 35	+ 31	+
	Official contributions	– 5	–	–	–	–	–	– 15	– 18	– 8	– 22	– 28	– 38	– 49	– 6
C	**Current account balance**	**+164**	**+242**	**+129**	**+135**	**– 23**	**– 24**	**+114**	**+ 83**	**+ 44**	**+ 60**	**+ 48**	**+ 4**	**+ 69**	**+**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 — Concluded

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959[p]
		millions of dollars													
	Current account balance	**+664**	**+875**	**+615**	**+581**	**+ 1**	**+199**	**+502**	**+216**	**+273**	**+390**	**+300**	**+122**	**+173**	**+ 71**
	Capital account:														
	Direct investment:														
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 91	+ 60
2	Direct investment abroad	− 10	− 3	− 2	− 3	− 4	− 6	− 19	− 22	− 23	− 9	− 27	− 11	− 16	− 52
	Canadian securities:														
3a	Trade in outstanding bonds and debentures	− 48	− 11	− 4	− 16	− 35	− 16	+ 3	+ 20	—	− 2	+ 11	—	+ 3	+ 4
3b	Trade in outstanding common and preference stocks							− 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4	+ 7
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+ 41	+ 43
5	Retirements	− 77	− 42	− 14	− 10	− 19	− 24	− 9	− 11	− 17	− 11	− 2	− 21	− 16	− 27
	Foreign securities:														
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	− 9	+ 4	+ 2	+ 2	+ 3
7	New issue	—	—	—	—	—	—	—	—	− 1	− 21	—	—	—	—
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—	—	+ 1	+ 2
	Loans by Government of Canada:														
9	Drawings	−540	−423	− 52	−120	− 50	—	—	—	—	—	—	—	− 34	− 1
0	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	—	+ 16	+ 16
1	Repayment of war loans	+ 89	+104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+.30	+ 30	+ 30	—
4	Change in Canadian dollar holdings of foreigners	+ 32	− 4	− 20	+ 62	+116	−128	− 22	− 17	+ 6	+ 11	+ 14	− 20	+ 9	− 19
6	Change in official holding of sterling (increase, minus)	+ 16	− 1	+ 4	+ 6	− 28	− 17	+ 43	− 4	− 3	+ 2	+ 1	+ 1	− 1	+ 3
7	Other capital movements	+ 39	+ 16	+ 18	− 27	− 39	+ 82	− 62	+ 37	− 32	+ 60	+ 9	+ 33	− 39	− 7
	Net capital movement	**−491**	**−357**	**+ 7**	**− 87**	**+ 13**	**− 23**	**− 16**	**+129**	**+ 94**	**+177**	**+261**	**+228**	**+ 91**	**+ 32**
	Balance settled by exchange transfers:														
	Official settlements	−150	−505	−597	−466	+ 4	−165	−486	−345	−367	−567	−561	−350	−264	−103
	Private settlements	− 23	− 13	− 25	− 28	− 18	− 11								
	Total financing of current account balance (item C)	**−664**	**−875**	**−615**	**−581**	**− 1**	**−199**	**−502**	**−216**	**−273**	**−390**	**−300**	**−122**	**−173**	**− 71**

TABLE III. Current Account Between Canada and All Countries, 1926-59

Year	Current receipts[1]	Current payments[2]	Net balance including Mutual Aid exports	Wartime Grants and Mutual Aid	Net balance on current account indicating net movement of capital
	millions of dollars				
1926	1,665	1,538	+ 127	—	+ 127
1927	1,633	1,643	− 10	—	− 10
1928	1,788	1,820	− 32	—	− 32
1929	1,646	1,957	− 311	—	− 311
1930	1,297	1,634	− 337	—	− 337
1931	972	1,146	− 174	—	− 174
1932	808	904	− 96	—	− 96
1933	829	831	− 2	—	− 2
1934	1,020	952	+ 68	—	+ 68
1935	1,145	1,020	+ 125	—	+ 125
1936	1,430	1,186	+ 244	—	+ 244
1937	1,593	1,413	+ 180	—	+ 180
1938	1,361	1,261	+ 100	—	+ 100
1939	1,457	1,331	+ 126	—	+ 126
1940	1,776	1,627	+ 149	—	+ 149
1941	2,458	1,967	+ 491	—	+ 491
1942	3,376	2,275	+1,101	−1,002	+ 99
1943	4,064	2,858	+1,206	− 518	+ 688
1944	4,557	3,539	+1,018	− 960	+ 58
1945	4,456	2,910	+1,546	− 858	+ 688
1946	3,365	2,905	+ 460	− 97	+ 363
1947	3,748	3,699	+ 49	—	+ 49
1948	4,147	3,696	+ 451	—	+ 451
1949	4,089	3,912	+ 177	—	+ 177
1950	4,297	4,574	− 277	− 57	− 334
1951	5,311	5,683	− 372	− 145	− 517
1952	5,858	5,494	+ 364	− 200	+ 164
1953	5,737	5,934	− 197	− 246	− 443
1954	5,520	5,668	− 148	− 284	− 432
1955	6,072	6,548	− 476	− 222	− 698
1956	6,621	7,830	−1,209	− 157	−1,366
1957	6,622	7,970	−1,348	− 107	−1,455
1958	6,579	7,568	− 989	− 142	−1,131
1959[p]	6,859	8,225	−1,366	− 63	−1,429

[1] Including Mutual Aid exports.
[2] Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1957 I	1957 II	1957 III	1957 IV	1958 I	1958 II	1958 III	1958 IV	1959p I	1959p II	1959p III	1959p IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	1,099	1,213	1,303	1,279	1,084	1,277	1,219	1,307	1,061	1,356	1,286	1,45
3	Gold production available for export	39	31	27	50	44	39	39	38	38	40	33	3
4	Travel expenditures	31	76	197	59	32	76	186	55	33	85	214	6
5	Interest and dividends	25	40	32	57	31	38	29	70	30	43	40	7
6	Freight and shipping	108	117	117	103	98	102	98	103	92	112	105	11
7	Inheritances and immigrants' funds	25	42	34	23	18	27	26	26	18	34	33	2
11	All other current receipts	110	104	89	85	96	91	87	101	93	95	104	9
12	**Total current receipts**	**1,437**	**1,623**	**1,799**	**1,656**	**1,403**	**1,650**	**1,684**	**1,700**	**1,365**	**1,765**	**1,815**	**1,85**
B	**Current payments:**												
1	Merchandise imports (adjusted)	1,328	1,518	1,350	1,292	1,154	1,361	1,202	1,349	1,215	1,540	1,367	1,41
4	Travel expenditures	100	142	178	105	100	140	191	111	118	141	214	12
5	Interest and dividends	125	148	138	178	126	136	151	199	141	151	150	21
6	Freight and shipping	113	147	135	120	95	114	127	124	95	130	145	14
7	Inheritances and emigrants' funds	33	37	43	44	29	36	39	41	31	39	42	4
9	Official contributions	6	9	7	18	12	18	12	11	9	21	22	1
11	All other current payments	169	167	160	160	179	176	169	166	171	176	180	17
12	**Total current payments**	**1,874**	**2,168**	**2,011**	**1,917**	**1,695**	**1,981**	**1,891**	**2,001**	**1,780**	**2,198**	**2,120**	**2,1**
	Balance on merchandise trade	− 229	− 305	− 47	− 13	− 70	− 84	+ 17	− 42	− 154	− 184	− 81	+ 1
	Balance on other transactions, excluding B9	− 202	− 231	− 158	− 230	− 210	− 229	− 212	− 248	− 252	− 228	− 202	− 2
	Official contributions	− 6	− 9	− 7	− 18	− 12	− 18	− 12	− 11	− 9	− 21	− 22	−
C	**Current account balance**	**− 437**	**− 545**	**− 212**	**− 261**	**− 292**	**− 331**	**− 207**	**− 301**	**− 415**	**− 433**	**− 305**	**− 2**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 98	+ 155	+ 133	+ 128	+ 93	+ 94	+ 103	+ 130	+ 85	+ 162	+ 72	+ 1
2	Direct investment abroad	− 18	− 21	− 21	− 8	− 20	− 23	+ 6	− 11	− 24	− 12	− 22	−
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	− 10	− 4	− 15	− 16	− 2	− 12	− 7	+ 21	+ 33	+ 15	+ 33	+
3b	Trade in outstanding common and preference stocks	+ 40	+ 48	+ 43	+ 6	+ 3	+ 17	+ 35	+ 33	+ 32	+ 33	+ 25	+
4	New issues	+ 274	+ 295	+ 144	+ 85	+ 179	+ 295	+ 102	+ 101	+ 186	+ 111	+ 210	+ 1
5	Retirements	− 42	− 25	− 36	− 30	− 30	− 50	− 27	− 51	− 41	− 78	− 59	−
	Foreign securities:												
6	Trade in outstanding issues	− 12	+ 15	+ 13	+ 8	+ 4	− 1	+ 3	+ 7	− 5	− 12	− 8	−
7	New issues	− 5	− 4	− 8	− 7	− 4	− 7	− 2	− 4	− 3	− 2	− 1	−
8	Retirements	+ 1	+ 2	+ 1	+ 2	+ 2	+ 1	+ 2	+ 2	+ 3	+ 2	+ 2	+
	Loans by Government of Canada:												
9	Drawings	—	—	—	—	− 16	− 8	—	− 10	− 1	—	—	
10	Repayment of post-war loans	—	+ 11	—	+ 9	—	+ 9	—	+ 25	—	+ 9	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	—	—	—	
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	—	—	—	—	—	—	—	—	—	—	—	−
14	Change in Canadian dollar holdings of foreigners	− 33	− 27	+ 7	+ 18	− 16	+ 41	+ 90	− 9	− 12	+ 46	+ 22	−
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 13	− 22	+ 53	+ 61	− 39	− 52	+ 32	− 50	+ 49	− 43	− 3	+
17	Other capital movements	+ 124	+ 114	− 109	− 3	+ 131	+ 19	− 137	+ 109	+ 113	+ 202	+ 34	−
E	**Net capital movement**	**+ 437**	**+ 545**	**+ 212**	**+ 261**	**+ 292**	**+ 331**	**+ 207**	**+ 301**	**+ 415**	**+ 433**	**+ 305**	**+**

Notes: Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA since Mutual Aid to NATO countries is distributed by quarters.

For other notes applicable to this table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

Account	1957				1958				1959[P]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
Current receipts:												
Merchandise exports (adjusted)	654	725	794	758	650	719	757	782	652	853	806	882
Gold production available for export	39	31	27	50	44	39	39	38	38	40	33	37
Travel expenditures	27	64	184	50	28	62	171	48	28	70	198	55
Interest and dividends	19	19	25	32	22	22	21	35	21	25	21	30
Freight and shipping	53	59	61	49	49	51	55	51	48	61	59	64
Inheritances and immigrants' funds	9	13	14	11	10	12	14	11	9	13	15	11
All other current receipts	89	84	69	61	73	67	63	77	73	74	85	75
Total current receipts	**890**	**995**	**1,174**	**1,011**	**876**	**972**	**1,120**	**1,042**	**869**	**1,136**	**1,217**	**1,154**
Current payments:												
Merchandise imports (adjusted)	1,000	1,084	919	875	831	927	799	886	867	1,038	884	921
Travel expenditures	79	112	134	78	80	113	136	84	93	112	154	86
Interest and dividends	92	129	109	150	92	115	122	171	106	126	120	185
Freight and shipping	73	102	95	81	57	73	86	78	57	84	95	88
Inheritances and emigrants' funds	28	29	34	33	23	24	28	29	25	27	30	31
All other current payments	102	104	104	103	107	109	109	107	113	114	117	118
Total current payments	**1,374**	**1,560**	**1,395**	**1,320**	**1,190**	**1,361**	**1,280**	**1,355**	**1,261**	**1,501**	**1,400**	**1,429**
Current account balance	**– 484**	**– 565**	**– 221**	**– 309**	**– 314**	**– 389**	**– 160**	**– 313**	**– 392**	**– 365**	**– 183**	**– 275**
Capital account:												
Direct investment:												
Direct investment in Canada	+ 79	+ 104	+ 107	+ 100	+ 65	+ 75	+ 61	+ 102	+ 70	+ 151	+ 50	+ 117
Direct investment abroad	– 8	– 11	– 9	– 7	– 4	– 12	+ 15	– 2	—	– 4	+ 4	– 1
Canadian securities:												
Trade in outstanding bonds and debentures	– 19	– 11	– 15	– 25	– 6	– 5	– 9	+ 10	+ 17	– 2	+ 10	– 4
Trade in outstanding common and preference stocks	+ 5	– 10	+ 7	+ 3	+ 7	+ 11	+ 27	+ 25	+ 27	+ 27	+ 17	+ 3
New issues	+ 247	+ 275	+ 126	+ 74	+ 164	+ 258	+ 92	+ 86	+ 165	+ 94	+ 197	+ 165
Retirements	– 27	– 21	– 32	– 25	– 28	– 40	– 25	– 39	– 32	– 66	– 45	– 57
Foreign securities:												
Trade in outstanding issues	– 13	+ 15	+ 11	+ 7	+ 3	– 1	+ 4	+ 5	– 4	– 13	– 8	– 9
New issues	– 4	– 3	– 3	– 5	– 4	– 6	– 1	– 2	– 1	– 1	– 1	– 5
Retirements	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 2	+ 2	+ 1	+ 1
Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	—	—	—	—	—	—	—	—	—	—	—	– 59
Change in Canadian dollar holdings of foreigners	– 2	– 15	+ 3	+ 4	—	+ 35	+ 75	– 27	– 1	+ 24	+ 17	– 33
Change in official holdings of gold and U.S. dollars (increase, minus)	+ 12	– 17	+ 49	+ 60	– 39	– 52	+ 33	– 50	+ 49	– 44	– 4	+ 66
Other capital movements	+ 107	+ 102	– 140	– 11	+ 143	+ 28	– 133	+ 109	+ 98	+ 211	+ 26	– 25
Net capital movement	**+ 378**	**+ 409**	**+ 105**	**+ 176**	**+ 302**	**+ 292**	**+ 140**	**+ 218**	**+ 390**	**+ 379**	**+ 264**	**+ 159**
Balance settled by exchange transfers	**+ 106**	**+ 156**	**+ 116**	**+ 133**	**+ 12**	**+ 97**	**+ 20**	**+ 95**	**+ 2**	**– 14**	**– 81**	**+ 116**
Total financing of current account balance (item C)	**+ 484**	**+ 565**	**+ 221**	**+ 309**	**+ 314**	**+ 389**	**+ 160**	**+ 313**	**+ 392**	**+ 365**	**+ 183**	**+ 275**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 — Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1957				1958				1959[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	160	178	207	189	153	206	193	214	163	202	189	2
4	Travel expenditures	2	6	7	3	2	7	7	2	2	7	7	
5	Interest and dividends	3	3	2	2	2	3	1	26	1	4	3	
6	Freight and shipping	21	27	24	23	21	22	19	22	19	22	19	
7	Inheritances and immigrants' funds	8	15	11	6	4	5	4	4	4	7	7	
11	All other current receipts	11	10	10	10	11	11	10	11	10	11	10	
12	**Total current receipts**	**205**	**239**	**261**	**233**	**193**	**254**	**234**	**279**	**199**	**253**	**235**	**2**
B	**Current payments:**												
1	Merchandise imports (adjusted)	114	144	132	130	113	162	122	140	110	172	156	1
4	Travel expenditures	6	12	18	11	7	9	26	10	9	10	25	
5	Interest and dividends	25	12	22	19	25	12	20	19	27	14	21	
6	Freight and shipping	16	18	17	18	17	18	17	18	17	21	22	
7	Inheritances and emigrants' funds	2	5	6	7	3	7	8	8	3	8	8	
11	All other current payments	23	21	21	21	27	26	21	21	21	22	23	
12	**Total current payments**	**186**	**212**	**216**	**206**	**192**	**234**	**214**	**216**	**187**	**247**	**255**	**2**
C	**Current account balance**	**+ 19**	**+ 27**	**+ 45**	**+ 27**	**+ 1**	**+ 20**	**+ 20**	**+ 63**	**+ 12**	**+ 6**	**– 20**	**+**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 8	+ 23	+ 15	+ 19	+ 19	+ 13	+ 34	+ 21	+ 10	+ 3	+ 15	+
2	Direct investment abroad	+ 1	+ 1	+ 1	+ 1	– 3	– 2	– 1	+ 1	– 16	– 3	– 20	–
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 1	+ 2	– 5	+ 2	—	– 1	—	+ 4	—	+ 2	+ 4	–
3b	Trade in outstanding common and preference stocks	+ 27	+ 42	+ 17	+ 1	– 4	+ 3	+ 3	+ 2	– 3	– 3	+ 2	+
4	New issues	+ 23	+ 13	+ 14	+ 9	+ 11	+ 18	+ 4	+ 8	+ 15	+ 9	+ 7	+
5	Retirements	– 14	– 2	– 1	– 4	– 1	– 6	– 2	– 7	– 6	– 8	– 8	–
	Foreign securities:												
6	Trade in outstanding issues	+ 1	– 1	+ 1	+ 1	+ 1	—	—	+ 1	+ 1	+ 1	—	+
7	New issues	—	—	—	—	—	—	—	—	—	—	—	
8	Retirements	—	—	—	—	+ 1	—	—	—	—	—	—	
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	—	—	—	—	+ 16	—	—	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	—	—	—	
14	Change in Canadian dollar holdings of foreigners	– 16	– 16	+ 4	+ 10	– 13	+ 1	+ 8	+ 8	– 15	+ 10	+ 5	–
16	Change in official holdings of sterling (increase, minus)	+ 1	– 5	+ 4	+ 1	—	—	– 1	—	—	+ 1	+ 1	+
17	Other capital movements	– 3	+ 5	+ 17	+ 16	– 20	– 8	– 1	– 10	– 4	+ 4	+ 4	–
E	**Net capital movement**	**+ 36**	**+ 70**	**+ 74**	**+ 64**	**– 2**	**+ 26**	**+ 51**	**+ 52**	**– 18**	**+ 16**	**+ 10**	**+**
G	**Balance settled by exchange transfers**	**– 55**	**– 97**	**–119**	**– 91**	**+ 1**	**– 46**	**– 71**	**–115**	**+ 6**	**– 22**	**+ 10**	**–**
	Total financing of current account balance (item C)	**– 19**	**– 27**	**– 45**	**– 27**	**– 1**	**– 20**	**– 20**	**– 63**	**– 12**	**– 6**	**+ 20**	**–**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 — Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

Account	1957				1958				1959[P]			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
Rest of the Sterling Area:												
Merchandise exports	55	63	56	72	78	83	62	76	66	75	70	78
Other current receipts	10	18	13	28	13	16	15	20	15	17	27	18
Total current receipts	65	81	69	100	91	99	77	96	81	92	97	96
Merchandise imports	40	70	67	62	36	64	53	59	37	74	67	64
Other current payments	15	19	14	24	18	25	19	20	17	29	28	26
Total current payments	55	89	81	86	54	89	72	79	54	103	95	90
Current account balance	+ 10	− 8	− 12	+ 14	+ 37	+ 10	+ 5	+ 17	+ 27	− 11	+ 2	+ 6
Non-sterling area overseas countries:												
Merchandise exports	230	247	246	260	203	269	207	235	180	226	221	263
Other current receipts	47	61	49	52	40	56	46	48	36	58	45	45
Total current receipts	277	308	295	312	243	325	253	283	216	284	266	308
Merchandise imports	174	220	232	225	174	208	228	264	201	256	260	268
Other current payments	85	87	87	80	85	89	97	87	77	91	110	96
Total current payments	259	307	319	305	259	297	325	351	278	347	370	364
Current account balance	+ 18	+ 1	− 24	+ 7	− 16	+ 28	− 72	− 68	− 62	− 63	−104	− 56
Current account balance with above areas	+ 28	− 7	− 36	+ 21	+ 21	+ 38	− 67	− 51	− 35	− 74	−102	− 50
Capital account:												
Direct investment:												
Direct investment in Canada	+ 11	+ 28	+ 11	+ 9	+ 9	+ 6	+ 8	+ 7	+ 5	+ 8	+ 7	+ 31
Direct investment abroad	− 11	− 11	− 13	− 2	− 13	− 9	− 8	− 10	− 8	− 5	− 6	− 7
Canadian securities:												
Trade in outstanding bonds and debentures	+ 8	+ 5	+ 5	+ 7	+ 4	− 6	+ 2	+ 7	+ 16	+ 15	+ 19	+ 18
Trade in outstanding common and preference stocks	+ 8	+ 16	+ 19	+ 2	—	+ 3	+ 5	+ 6	+ 8	+ 9	+ 6	+ 5
New issues	+ 4	+ 7	+ 4	+ 2	+ 4	+ 19	+ 6	+ 7	+ 6	+ 8	+ 6	+ 20
Retirements	− 1	− 2	− 3	− 1	− 1	− 4	—	− 5	− 3	− 4	− 6	− 5
Foreign securities:												
Trade in outstanding issues	—	+ 1	+ 1	—	—	—	− 1	+ 1	− 2	—	—	—
New issues	− 1	− 1	− 5	− 2	—	− 1	− 1	− 2	− 2	− 1	—	− 2
Retirements	—	+ 1	—	+ 1	—	—	+ 1	+ 1	+ 1	—	+ 1	+ 2
Loans by Government of Canada:												
Drawings	—	—	—	—	− 16	− 8	—	− 10	− 1	—	—	—
Repayment of post-war loans	—	+ 11	—	+ 9	—	+ 9	—	+ 9	—	+ 9	—	+ 9
Change in Canadian dollar holdings of foreigners	− 15	+ 4	—	+ 4	− 3	+ 5	+ 7	+ 10	+ 4	+ 12	—	− 1
Other capital movements	+ 20	+ 7	+ 14	− 8	+ 8	− 1	− 3	+ 10	+ 19	− 13	+ 4	+ 1
Net capital movement	+ 23	+ 66	+ 33	+ 21	− 8	+ 13	+ 16	+ 31	+ 43	+ 38	+ 31	+ 71
Balance settled by exchange transfers	− 51	− 59	+ 3	− 42	− 13	− 51	+ 51	+ 20	− 8	+ 36	+ 71	− 21
Total financing of current account balance (item C)	− 28	+ 7	+ 36	− 21	− 21	− 38	+ 67	+ 51	+ 35	+ 74	+102	+ 50

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-59[1]

Item	1926	1930	1933	1939	1945	1949	1951	1952	1953	1954	1955	1956	1957	1958	1959
	billions of dollars														
Canadian liabilities:															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	5.2	6.0	6.8	7.7	8.9	10.1	10.9	11.
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.0	2.1	2.1	1.9	2.1	2.3	2.6	3.
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	2.7	2.9	3.1	3.1	3.5	3.9	4.1	4.
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3	0.
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4[x]	0.5	0.6	0.6	0.8	0.9	1.0	1.
Foreign long-term investments in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**8.0**	**9.5**	**10.4**	**11.5**	**12.5**	**13.5**	**15.6**	**17.5**	**19.0**	**20.**
Equity of non-residents in Canadian assets abroad	..	..	..	0.2	0.2	0.3	0.4	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.
Canadian dollar holdings of non-residents	..	..	..	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.
Canadian short-term assets of IBRD and IMF	—	—	—	—	—	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.
Gross liabilities[2]	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.9**	**10.6**	**11.4**	**12.6**	**13.7**	**14.8**	**17.0**	**18.9**	**20.6**	**22.**
United States[2]	3.5	4.9	4.7	4.5	5.4	6.4	7.9	8.5	9.5	10.3	11.1	12.6	14.2	15.5	16.
United Kingdom[2]	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.0	2.2	2.3	2.5	2.8	3.1	3.2	3
Other countries, IBRD and IMF[2]	0.2	0.2	0.2	0.3	0.4	0.7	0.8	0.9	1.0	1.0	1.2	1.5	1.7	1.9	2
Short-term commercial payables[3]	..	..	..	..	0.4	0.4	0.7	0.5	0.3	0.4	0.5	0.7	1.0	1.2	1
Gross liabilities	**6.4[2]**	**8.0[2]**	**7.7[2]**	**7.4[2]**	**8.0**	**9.3**	**11.3**	**11.9**	**12.9**	**14.1**	**15.3**	**17.7**	**19.9**	**21.8**	**24**
Canadian assets:															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.2	2
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.8[x]	0.9	0.9	1.0	1.0	1.1	1.1	1
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1
Government of Canada subscriptions to IBRD, IFC and IMF	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0
Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**4.0**	**4.1**	**4.4**	**4.5**	**4.6**	**4.7**	**4.8**	**5.0**	**5.1**	**5**
Government of Canada holdings of gold and foreign exchange VI	..	..	..	0.5	1.7	1.2	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1
Bank balances and other short-term funds abroad	[4]	[4]	[4]	—	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.6	0.9	1.0	1
Gross assets[2]	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**5.2**	**6.0**	**6.4**	**6.6**	**6.9**	**7.0**	**7.3**	**7.7**	**7.9**	**8**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1
United States[2 5]	0.7	0.9	0.8	0.9	0.9	1.1	1.4	1.7	2.0	2.1	2.2	2.6	3.0	3.1	3
United Kingdom[2 5]	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1
Other countries, IBRD, IFC and IMF[2]	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1
Short-term commercial receivables[3]	..	..	..	..	0.1	0.2	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.5	(
Gross assets	**1.3[2]**	**1.5[2]**	**1.4[2]**	**1.9[2]**	**4.0**	**5.5**	**6.3**	**6.7**	**6.9**	**7.2**	**7.4**	**7.7**	**8.1**	**8.4**	**8**
Canadian net international indebtedness:															
Net liabilities	**5.1[2]**	**6.5[2]**	**6.3[2]**	**5.5[2]**	**4.0**	**3.8**	**5.0**	**5.1**	**6.0**	**6.8**	**7.9**	**10.0**	**11.8**	**13.4**	**1**
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-1.2	- 1.8	- 1.8	- 1.8	- 1.9	- 1.9	- 1.9	- 1.8	- 1.9	-
United States[2 5]	2.8	4.0	3.9	3.6	4.6	5.3	6.5	6.8	7.5	8.2	8.8	10.0	11.2	12.4	1
United Kingdom[2 5]	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.5	0.7	0.9	1.1	1.4	1.7	1.9	
Other countries, IBRD, IFC and IMF[2]	-0.3	-0.3	-0.4	-0.1	-0.1	-0.6	- 0.5	- 0.5	- 0.4	- 0.4	- 0.2	—	0.1	0.3	(
Short-term commercial indebtedness[3]	..	..	..	..	0.3	0.2	0.5	0.2	0.1	0.1	0.2	0.3	0.6	0.7	

[1] For missing years after 1945 see Tables II and III in "Canada's Short-Term External Assets and Liabilities 1945-1957" (DBS catalogue No. 67-50
[2] Excludes short-term commercial indebtedness.
[3] Country distribution not available.
[4] Net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
[5] Excludes Government of Canada holdings of gold and foreign exchange.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further d appears.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,[1] 1950-59

At end of	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
	millions of U.S. dollars									
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,88
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,93
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,93
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,86

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government acco and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad,[1] Selected Year Ends, 1926-58

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investments in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
All countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671[x]	511	208	719[x]	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
1952	326	771	163	11	1,271	669[x]	161	830	2,101	1,866	3,967
1953	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
1954	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
1955	438	1,002	291	20	1,751	767	224	991	2,740	1,635	4,375
1956	418	1,119	340	27	1,904	785	221	1,006	2,909	1,565	4,474
1957	425	1,210	410	39	2,084	797	257	1,054	3,132	1,515	4,647
1958	428	1,276	427	43	2,174	828	250	1,078	3,252	1,484	4,736
The United States:											
1926	..	..	..	..	250	..	..	195	445	—	445
1930	..	..	..	..	260	..	..	459	719	—	719
1939	211	176	21	4	412[x]	380	121	501[x]	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1951	288	549	71	4	912	289	87	376	1,288	—	1,288
1952	293	572	95	8	968	450[x]	86	536	1,504	—	1,504
1953	365	632	123	7	1,127	469	95	564	1,691	—	1,691
1954	390	695	145	10	1,240	490	89	579	1,819	—	1,819
1955	393	719	175	15	1,302	539	89	628	1,929	—	1,929
1956	378	817	190	22	1,407	569	84	653	2,060	—	2,060
1957	380	845	206	32	1,463	579	118	697	2,160	—	2,160
1958	379	858	197	31	1,465	631	111	742	2,207	—	2,207
The United Kingdom:											
1926	..	..	..	..	7	..	..	45	52	—	52
1930	..	..	..	..	14	..	..	45	59	—	59
1939	—	53	—	6	59[x]	22	21	43[x]	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1951	1	73	—	—	74	17	17	34	108	1,394	1,502
1952	1	80	—	—	81	17	14	31	112	1,357	1,469
1953	1	103	—	—	104	16	13	29	133	1,292	1,425
1954	1	118	—	—	119	17	14	31	150	1,247	1,397
1955	2	128	—	1	131	29	17	46	177	1,202	1,379
1956	3	135	—	1	139	30	16	46	185	1,157[3]	1,342
1957	3	168	—	1	172	33	15	48	214	1,127[3]	1,341
1958	3	196	—	1	200	27	14	41	241	1,080[3]	1,321
Other Commonwealth countries:[2]											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	6	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	6	73	54	—	133	6	8	14	147	—	147
1954	4	74	60	—	138	6	7	13	151	—	151
1955	4	83	72	—	159	7	21	28	187	—	187
1956	8	85	98	—	191	7	21	28	219	—	219
1957	8	93	131	2	234	7	21	28	263	—	263
1958	7	102	150	7	266	8	21	29	295	34	329
Other foreign countries:											
1926	..	..	..	..	140[4]	..	..	253[4]	393[4]	36	429[4]
1930	..	..	..	..	169[4]	105	180	285[4]	454[4]	31	485[4]
1939	31	30	85	—	146[x]	102	51	153[x]	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1951	25	39	26	2	92	155	30	185	277	528	805
1952	25	49	33	3	110	196	53	249	359	509	868
1953	30	51	38	2	121	199	63	262	383	486	869
1954	32	57	40	2	131	210	93	303	434	458	892
1955	39	72	44	4	159	192	97	289	447	433	880
1956	29	82	52	4	167	179	100	279	445	408	853
1957	34	104	73	4	215	178	103	281	495	388	883
1958	39	120	80	4	243	162	104	266	509	370	879

[1] Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the Government of Canada to the International Bank for Reconstruction and Development, the International Finance Corporation and the International Monetary Fund, which are partly offset by short term assets in Canada of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

[2] Includes investments in Newfoundland prior to 1949.

[3] Excludes deferred interest amounting to $22 million at the end of 1956, and to $44 million at the end of subsequent years.

[4] Includes investments in "Other Commonwealth countries".

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58

Classification by type of security and nature of national ownership

Long term investments in Canada	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	19
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal[1]	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,3
Railways	1,481	843	676	538	504	480	484	598	495	335	213	182	166	1
Other corporations	796	561	674	1,227	1,500	1,963	2,178	600	414	542	1,023	1,254	1,665	1,8
Sub-totals	**3,983**	**3,066**	**3,453**	**3,633**	**4,138**	**4,767**	**5,283**	**2,403**	**2,359**	**2,775**	**2,875**	**3,307**	**3,890**	**4,3**
Capital stock of Canadian companies	2,856	3,194	4,745	6,942	8,003	8,887	9,339	1,832	2,088	3,477	5,026	5,722	6,341	6,6
Other corporation assets[2]	480	548	951	2,090	2,369	2,688	2,978	331	413	812	1,840	2,050	2,301	2,5
Income accumulating investment funds	—	—	—	170	249	255	342	—	—	—	170	249	255	3
Miscellaneous investments	295	284	328	641	818	879	1,048*	94	130	195	367	474	489	5
Total investments	**7,614**	**7,092**	**9,477**	**13,476**	**15,577**	**17,476**	**18,990**	**4,660**	**4,990**	**7,259**	**10,278**	**11,802**	**13,276**	**14,4**
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	52	46	36	36	36	32	32	42	38	29	29	29	28	
Other corporations	357	281	346	719	782	1,074	1,132	294	254	319	676	729	1,003	1,0
Sub-totals	**409**	**327**	**382**	**755**	**818**	**1,106**	**1,164**	**336**	**292**	**348**	**705**	**758**	**1,031**	**1,0**
Capital stock of Canadian companies	1,543	1,860	3,205	4,944	5,732	6,410	6,814	1,330	1,613	2,750	4,022	4,635	5,209	5,5
Other corporation assets[2]	475	526	933	2,033	2,315	2,626	2,897	327	399	798	1,789	2,001	2,246	2,4
Total direct investments	**2,427**	**2,713**	**4,520**	**7,732**	**8,865**	**10,142**	**10,875**	**1,993**	**2,304**	**3,896**	**6,516**	**7,394**	**8,486**	**9,0**
II. Government and municipal bonds[1]	**1,706**	**1,662**	**2,103**	**1,868**	**2,134**	**2,324**	**2,621**	**1,205**	**1,450**	**1,898**	**1,639**	**1,871**	**2,059**	**2,**
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	1,427	795	637	499	467	447	451	556	457	306	184	153	138	
— Controlled in other countries	2	2	3	3	1	1	1	—	—	—	—	—	—	
Other corporations — Controlled in Canada	421	220	239	369	478	618	756	301	158	214	331	436	555	
— Controlled in other countries	18	60	89	139	240	271	290	5	2	9	16	89	107	
Sub-totals	**1,868**	**1,077**	**968**	**1,010**	**1,186**	**1,337**	**1,498**	**862**	**617**	**529**	**531**	**678**	**800**	
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,423	1,838	2,066	2,228	2,272	484	462	709	961	1,044	1,058	1,
Companies controlled in other countries	80	85	117	160	205	249	253	18	13	18	43	43	74	
Other corporation assets:[2]														
Companies controlled in Canada	5	16	11	42	33	46	60	4	13	10	38	31	43	
Companies controlled in other countries	—	6	7	15	21	16	21	—	1	4	13	18	12	
Income accumulating investment funds	—	—	—	170	249	255	342	—	—	—	170	249	255	
Total other portfolio investments	**3,186**	**2,433**	**2,526**	**3,235**	**3,760**	**4,131**	**4,446**	**1,368**	**1,106**	**1,270**	**1,756**	**2,063**	**2,242**	**2,**
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	641	818	879	1,048*	94	130	195	367	474	489	
SUMMARY														
I. Direct investments	2,427	2,713	4,520	7,732	8,865	10,142	10,875	1,993	2,304	3,896	6,516	7,394	8,486	9,3
II. Government and municipal bonds	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,4
III. Other portfolio investments	3,186	2,433	2,526	3,235	3,760	4,131	4,446	1,368	1,106	1,270	1,756	2,063	2,242	2,3
IV. Miscellaneous investments	295	284	328	641	818	879	1,048*	94	130	195	367	474	489	
Total investments	**7,614**	**7,092**	**9,477**	**13,476**	**15,577**	**17,476**	**18,990**	**4,660**	**4,990**	**7,259**	**10,278**	**11,802**	**13,276**	**14,**

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58 — Concluded

Classification by type of security and nature of national ownership

Long term investments in Canada	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal[1]	486	157	146	141	152	145	145	15	55	59	88	111	120	132
Railways	862	316	309	296	296	290	292	21	32	32	29	26	24	27
Other corporations	171	116	104	157	174	201	207	25	31	28	47	72	97	110
Sub-totals	**1,519**	**589**	**559**	**594**	**622**	**636**	**644**	**61**	**118**	**119**	**164**	**209**	**241**	**269**
Capital stock of Canadian companies	942	973	1,044	1,426	1,647	1,835	1,914	82	133	224	490	634	711	740
Other corporation assets[2]	134	103	110	179	231	270	311	15	32	29	71	88	117	144
Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	329[x]
Total investments	**2,766**	**1,750**	**1,778**	**2,356**	**2,668**	**2,918**	**3,067**	**188**	**352**	**440**	**842**	**1,107**	**1,282**	**1,482**
By nature of national ownership														
Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	10	8	7	7	7	4	4	—	—	—	—	—	—	—
Other corporations	49	13	13	11	21	42	45	14	14	14	32	32	29	31
Sub-totals	**59**	**21**	**20**	**18**	**28**	**46**	**49**	**14**	**14**	**14**	**32**	**32**	**29**	**31**
Capital stock of Canadian companies	200	226	369	695	790	850	918	13	21	86	227	307	351	371
Other corporation assets[2]	133	101	108	178	230	267	308	15	26	27	66	84	113	135
Total direct investments	**392**	**348**	**497**	**891**	**1,048**	**1,163**	**1,275**	**42**	**61**	**127**	**325**	**423**	**493**	**537**
Government and municipal bonds[1]	**486**	**157**	**146**	**141**	**152**	**145**	**145**	**15**	**55**	**59**	**88**	**111**	**120**	**132**
Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	850	306	299	286	288	285	287	21	32	32	29	26	24	27
— Controlled in other countries	2	2	3	3	1	1	1	—	—	—	—	—	—	—
Other corporations — Controlled in Canada	116	46	11	24	22	20	23	4	16	14	14	20	43	51
— Controlled in other countries	6	57	80	122	131	139	139	7	1	—	1	20	25	28
Sub-totals	**974**	**411**	**393**	**435**	**442**	**445**	**450**	**32**	**49**	**46**	**44**	**66**	**92**	**106**
Capital stock of Canadian companies:														
Companies controlled in Canada	685	691	602	672	783	910	922	64	96	112	205	239	260	273
Companies controlled in other countries	57	56	63	59	74	75	74	5	16	26	58	88	100	96
Other corporation assets:[2]														
Companies controlled in Canada	1	2	1	1	1	2	1	—	1	—	3	1	1	5
Companies controlled in other countries	—	—	1	—	—	1	2	—	5	2	2	3	3	4
Total other portfolio investments	**1,717**	**1,160**	**1,070**	**1,167**	**1,300**	**1,433**	**1,449**	**101**	**167**	**186**	**312**	**397**	**456**	**484**
Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	65	157	168	177	198	30	69	68	117	176	213	329[x]
SUMMARY														
Direct investments	392	348	497	891	1,048	1,163	1,275	42	61	127	325	423	493	537
Government and municipal bonds	486	157	146	141	152	145	145	15	55	59	88	111	120	132
Other portfolio investments	1,717	1,160	1,070	1,167	1,300	1,433	1,449	101	167	186	312	397	456	484
Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	329[x]
Total investments	**2,766**	**1,750**	**1,778**	**2,356**	**2,668**	**2,918**	**3,067**	**188**	**352**	**440**	**842**	**1,107**	**1,282**	**1,482**

[1] For division of Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58

Classification by type of investment

Long term investments in Canada by type of investment	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	195
	millions of dollars													
Government securities:														
Dominion	682	726	1,013	529	502	501	564	440	682	887	393	340	342	3
Provincial	592	624	771	888	1,081	1,165	1,276[1]	517	574	732	836	1,021	1,099	1,2
Municipal	432	312	319	451	551	658	781[2]	248	194	279	410	510	618	7
Sub-totals	**1,706**	**1,662**	**2,103**	**1,868**	**2,134**	**2,324**	**2,621**	**1,205**	**1,450**	**1,898**	**1,639**	**1,871**	**2,059**	**2,3**
Manufacturing:														
Vegetable products	208	268	366	483	522	578	607	123	199	277	365	401	440	4
Animal products	50	61	74	103	104	108	114	44	47	64	91	91	96	1
Textiles	49	83	117	122	128	128	131	26	41	61	65	70	71	
Wood and paper products	586	455	718	996	1,111	1,169	1,200	489	383	568	826	941	989	1,0
Iron and products	262	319	530	894[x]	1,083	1,208	1,307	233	297	492	769[x]	891	981	1,0
Non-ferrous metals	125	274	463	783	895	1,031	1,103	118	209	367	616	700	813	8
Non-metallic minerals	24	57	80	136	169	178	205	19	48	60	87	108	110	1
Chemicals and allied products	122	169	297	452	501	582	618	89	124	227	304	345	418	4
Miscellaneous manufactures	33	37	70	59[x]	66	82	84	33	34	57	53[x]	60	76	
Sub-totals (excluding petroleum refining)	**1,459**	**1,723**	**2,715**	**4,028**	**4,579**	**5,064**	**5,369**	**1,174**	**1,382**	**2,173**	**3,176**	**3,607**	**3,994**	**4,2**
Petroleum and natural gas	150	157	693	1,854	2,275	2,853	3,192	147	149	682	1,716	2,063	2,574	2,8
Other mining and smelting	311	359	586	1,121	1,332	1,570	1,658	234	280	497	975	1,131	1,307	1,3
Public utilities:														
Railways	2,244	1,599	1,436	1,364	1,425	1,396	1,413	832	720	656	560	535	489	4
Other (excluding pipelines and public enterprises)	634	493	524	575	629	660	711	522	374	439	434	461	471	5
Sub-totals	**2,878**	**2,092**	**1,960**	**1,939**	**2,054**	**2,056**	**2,124**	**1,354**	**1,094**	**1,095**	**994**	**996**	**960**	**1,**
Merchandising	190	220	377	616	685	715	783	125	158	260	448	499	508	5
Financial institutions	543	525	595	1,231	1,493	1,781	1,945	251	285	353	816	991	1,201	1,3
Other enterprises	82	70	120	178	207	234	250	76	62	106	147	170	184	
Miscellaneous investments	295	284	328	641	818	879	1,048[x]	94	130	195	367	474	489	5
Total investments	**7,614**	**7,092**	**9,477**	**13,476**	**15,577**	**17,476**	**18,990**	**4,660**	**4,990**	**7,259**	**10,278**	**11,802**	**13,276**	**14,**

	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	19
	millions of dollars													
Government securities:														
Dominion	235	—	70	67	72	64	65	7	44	56	69	90	95	
Provincial	69	45	38	39	45	47	47	6	5	1	13	15	19	
Municipal	182	112	38	35	35	34	33	2	6	2	6	6	6	
Sub-totals	**486**	**157**	**146**	**141**	**152**	**145**	**145**	**15**	**55**	**59**	**88**	**111**	**120**	
Manufacturing:														
Vegetable products	84	66	80	106	107	126	124	1	3	9	12	14	12	
Animal products	5	6	5	6	7	6	6	1	8	5	6	6	6	
Textiles	22	38	52	55	56	55	56	1	4	4	2	2	2	
Wood and paper products	95	64	140	155	153	160	155	2	8	10	15	17	20	
Iron and products	24	12	28	103[x]	153	168	186	5	10	10	22	39	59	
Non-ferrous metals	6	64	91	153	175	192	195	1	1	5	14	20	26	
Non-metallic minerals	5	8	20	32	31	34	40	—	1	—	17	30	34	
Chemicals and allied products	32	36	60	132	137	142	146	1	9	10	16	19	22	
Miscellaneous manufactures	—	2	12	4[x]	4	5	5	—	1	1	2	2	1	
Sub-totals (excluding petroleum refining)	**273**	**296**	**488**	**746**	**823**	**888**	**913**	**12**	**45**	**54**	**106**	**149**	**182**	
Petroleum and natural gas	3	7	7	31	72	108	134	—	1	4	107	140	171	
Other mining and smelting	72	60	58	86	118	162	170	5	19	31	60	83	101	
Public utilities:														
Railways	1,352	806	704	698	765	784	794	60	73	76	106	125	123	
Other (excluding pipelines and public enterprises)	100	90	56	86	97	112	115	12	29	29	55	71	77	
Sub-totals	**1,452**	**896**	**760**	**784**	**862**	**896**	**909**	**72**	**102**	**105**	**161**	**196**	**200**	
Merchandising	61	57	102	145	158	174	196	4	5	15	23	28	33	
Financial institutions	243	186	142	241	286	332	361	49	54	100	174	216	248	
Other enterprises	5	6	10	25	29	36	41	1	2	4	6	8	14	
Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	
Total investments	**2,766**	**1,750**	**1,778**	**2,356**	**2,668**	**2,918**	**3,067**	**188**	**352**	**440**	**842**	**1,107**	**1,282**	**1,**

[1] Includes 911 direct and 365 other (mainly utility) debt.
[2] Includes 668 direct and 113 other (mainly utility) debt.

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends, 1930-58

Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
Manufacturing:														
Vegetable products	165	200	291	397	439	492	521	94	140	214	302	339	375	403
Animal products	42	47	66	91	92	98	105	38	44	60	83	83	89	95
Textiles	33	56	86	98	105	108	109	20	28	46	53	58	62	63
Wood and paper products	378	348	564	812	877	927	945	334	316	454	687	756	801	819
Iron and products	203	277	467	805[x]	978	1,099	1,200	199	272	451	706[x]	816	906	970
Non-ferrous metals	116	211	375	624	728	867	926	113	203	362	585	663	789	845
Non-metallic mmerals	20	43	74	122	142	156	172	17	39	59	79	90	100	109
Chemicals and allied products	102	144	257	431	481	561	597	86	118	219	291	332	405	435
Miscellaneous manufactures	31	33	68	57[x]	64	80	82	31	31	56	52[x]	59	75	76
Sub-totals (excluding petroleum refining)	**1,090**	**1,359**	**2,248**	**3,437**	**3,906**	**4,388**	**4,657**	**932**	**1,191**	**1,921**	**2,838**	**3,196**	**3,602**	**3,815**
Petroleum and natural gas	142	138	641	1,754	2,144	2,563	2,820	141	138	636	1,637	1,978	2,384	2,603
Other mining and smelting	217	240	419	811	908	1,044	1,119	191	218	397	781	857	971	1,033
Utilities (excluding pipelines)	450	375	361	320	291	285	287	423	358	341	270	222	215	216
Merchandising	160	202	361	538	607	621	680	109	147	249	377	431	423	456
Financial institutions	304	339	378	706	814	1,025	1,079	136	198	253	475	550	718	756
Other enterprises	64	60	112	166	195	216	233	61	54	99	138	160	173	184
Totals	**2,427**	**2,713**	**4,520**	**7,732**	**8,865**	**10,142**	**10,875**	**1,993**	**2,304**	**3,896**	**6,516**	**7,394**	**8,486**	**9,063**

	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
Manufacturing:														
Vegetable products	71	60	74	91	93	110	108	—	—	3	4	7	7	10
Animal products	3	3	3	4	5	5	5	1	—	3	4	4	4	5
Textiles	13	26	38	45	47	46	46	—	2	2	—	—	—	—
Wood and paper products	44	30	109	124	120	125	125	—	2	1	1	1	1	1
Iron and products	3	4	14	87[x]	134	147	170	1	1	2	12	28	46	60
Non-ferrous metals	3	8	10	27	49	61	63	—	—	3	12	16	17	18
Non-metallic minerals	3	4	15	26	23	26	30	—	—	—	17	29	30	33
Chemicals and allied products	15	19	30	129	135	139	144	1	7	8	11	14	17	18
Miscellaneous	—	2	12	4[x]	4	4	5	—	—	—	1	1	1	1
Sub-totals (excluding petroleum refining)	**155**	**156**	**305**	**537**	**610**	**663**	**696**	**3**	**12**	**22**	**62**	**100**	**123**	**146**
Petroleum and natural gas	1	—	4	23	56	64	90	—	—	1	94	110	115	127
Other mining and smelting	25	22	18	26	48	68	77	1	—	4	4	3	5	9
Utilities (excluding pipelines)	27	16	16	33	39	37	42	—	1	4	17	30	33	29
Merchandising	48	51	97	139	150	167	189	3	4	15	22	26	31	35
Financial institutions	133	98	48	109	117	131	142	35	43	77	122	147	176	181
Other enterprises	3	5	9	24	28	33	39	—	1	4	4	7	10	10
Totals	**392**	**348**	**497**	**891**	**1,048**	**1,163**	**1,275**	**42**	**61**	**127**	**325**	**423**	**493**	**537**

[1] Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

TABLE XI. Number of Canadian Concerns Controlled Abroad,[1] End of 1958

Classification by country of ownership and type of business

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controll outside Canad
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
Manufacturing:										
Vegetable products	148	7	155	47	1	48	10	—	10	2
Animal products	59	—	59	5	1	6	7	—	7	
Textiles	91	1	92	23	1	24	5	—	5	1
Wood and paper products	212	14	226	35	2	37	10	—	10	2
Iron and products	461	22	483	96	1	97	23	—	23	6
Non-ferrous metals	266	8	274	38	2	40	20	—	20	3
Non-metallic minerals	66	4	70	44	—	44	10	—	10	1
Chemicals and allied products	304	31	335	51	1	52	14	2	16	4
Miscellaneous manufactures	105	7	112	12	—	12	4	—	4	1
Sub-totals (excluding petroleum refining)	**1,712**	**94**	**1,806**	**351**	**9**	**360**	**103**	**2**	**105**	**2,2**
Petroleum and natural gas	347	84	431	17	2	19	13	2	15	4
Other mining and smelting	277	35	312	60	—	60	16	2	18	3
Utilities:										
Railways	7	4	11	5	—	5	—	—	—	
Other utilities (excluding pipelines)	102	21	123	32	4	36	35	7	42	2
Merchandising	801	139	940	341	34	375	118	6	124	1,4
Financial:										
Financial institutions except insurance	65	9	74	30	1	31	12	1	13	1
Insurance	17	166	183	25	86	111	8	43	51	3
Real estate	94	12	106	33	2	35	21	1	22	1
Other holding companies[2]	47	10	57	36	1	37	36	2	38	1
Other enterprises	524	104	628	133	8	141	40	6	46	8
Totals, all companies, 1958[3]	**3,993**	**678**	**4,671**	**1,063**	**147**	**1,210**	**402**	**72**	**474**	**6,**
Totals, all companies, 1945[4]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**	**2,**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tab
[2] Excludes non-resident owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 959; in the U.K. 353; in other countries 63.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	195
	•	•	•	•	•	•				
Percentage of total owned by all non-residents:										
Manufacturing	38	40	42	42	45	48	47	47	48	
Petroleum and natural gas	—	—	—	—	—	—	60	63	65	
Mining and smelting	37	44	40	39	51	57	53	53	54	
Railways	55	56	57	45	50	35	35	33	33	
Other utilities	32	36	27	20	17	17	14	12	14	
Totals of above industries and merchandising[3]	**37**	**39**	**38**	**32**	**31**	**32**	**32**	**32**	**34**	
Percentage of total owned by United States residents:										
Manufacturing	30	33	34	35	37	39	37	37	38	
Petroleum and natural gas	—	—	—	—	—	—	57	58	59	
Mining and smelting	28	34	31	32	45	52	47	46	46	
Railways	15	21	18	21	18	15	15	13	12	
Other utilities	23	30	20	16	15	15	12	10	11	
Totals of above industries and merchandising[3]	**19**	**24**	**22**	**23**	**24**	**25**	**25**	**25**	**26**	

[1] For years 1952 and 1953, see Table XII, "The Canadian Balance of International Payments, 1957, and International Investment Position".
[2] Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pa
Railway Company has been included under mining and smelting.
[3] Corporations engaged in the construction industry are included in the post-war period.
• Petroleum and natural gas industry not available separately. For treatment see footnote 2 to Table XVI.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-59

Year	Total non-resident investment			Percentage of total non-resident investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other countries
	millions of dollars			per cent		
[2]	..	..	1,232	14	85	1
[3]	..	..	3,837	23	72	5
[3]	..	..	4,536	36	60	4
	1,782	4,221	6,003	53	44	3
	2,427	5,187	7,614	61	36	3
	2,352	5,013	7,365	61	36	3
	2,296	4,617	6,913	60	36	4
	2,713	4,379	7,092	70	25	5
	2,826	4,355	7,181	72	23	5
	2,986	4,205	7,191	72	23	5
	3,270	4,239	7,509	74	22	4
	3,586	4,377	7,963	74	22	4
	3,975	4,689	8,664	76	20	4
	4,520	4,957	9,477	76	19	5
	5,218	5,167	10,385	77	18	5
	6,003	5,458	11,461	77	18	5
	6,764	5,780	12,544	77	17	6
	7,732	5,744	13,476	76	18	6
	8,865	6,712	15,577	76	17	7
	10,142	7,334	17,476	76	17	7
	10,875	8,115	18,990	76	16	8
	11,825[p]	8,850[p]	20,675[p]	76	16	8

	Investment by residents of the United States			Investment by residents of the United Kingdom			Investment by residents of other countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
	millions of dollars								
[2]	..	..	168	..	..	1,050	..	..	14
[3]	..	..	881	..	..	2,778	..	..	178
[3]	..	..	1,630	..	..	2,729	..	..	177
	1,403	1,793	3,196	336	2,301	2,637	43	127	170
	1,993	2,667	4,660	392	2,374	2,766	42	146	188
	1,933	2,559	4,492	376	2,307	2,683	43	147	190
	1,881	2,270	4,151	366	2,110	2,476	49	237	286
	2,304	2,686	4,990	348	1,402	1,750	61	291	352
	2,428	2,730	5,158	335	1,335	1,670	63	290	353
	2,548	2,653	5,201	372	1,275	1,647	66	277	343
	2,807	2,760	5,567	400	1,210	1,610	63	269	332
	3,095	2,811	5,906	428	1,289	1,717	63	277	340
	3,426	3,123	6,549	468	1,282	1,750	81	284	365
	3,896	3,363	7,259	497	1,281	1,778	127	313	440
	4,530	3,467	7,997	544	1,342	1,886	144	358	502
	5,206	3,664	8,870	612	1,396	2,008	185	398	583
	5,787	3,877	9,664	759	1,418	2,177	218	485	703
	6,516	3,762	10,278	891	1,465	2,356	325	517	842
	7,394	4,408	11,802	1,048	1,620	2,668	423	684	1,107
	8,486	4,790	13,276	1,163	1,755	2,918	493	789	1,282
	9,063	5,378	14,441	1,275	1,792	3,067	537	945	1,482
	9,850[p]	5,875[p]	15,725[p]	1,375[p]	1,875[p]	3,250[p]	600[p]	1,100[p]	1,700[p]

[1] Including miscellaneous investments.
[2] Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).
[3] Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statis-for 1926 and subsequent years are official data collected by the Dominion Bureau of Statistics.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957
	*	*	*	*	*	*				
ntage of total control by all non-residents:										
nufacturing	35	36	38	43	48	54	51	52	52	56
troleum and natural gas	—	—	—	—	—	—	69	79	80	76
ning and smelting	38	47	42	40	53	57	51	57	58	61
ilways	3	3	3	3	2	2	2	2	2	2
ier utilities	20	29	26	24	20	11	8	7	6	5
Totals of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**28**	**28**	**30**	**31**	**33**
ntage of total control by United States residents:										
nufacturing	30	31	32	39	42	45	42	42	41	44
troleum and natural gas	—	—	—	—	—	—	67	73	73	71
ning and smelting	32	42	38	37	51	54	49	55	52	52
ilways	3	3	3	3	2	2	2	2	2	2
ier utilities	20	29	26	24	20	11	7	6	4	4
Totals of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**26**	**26**	**27**

[1] For years 1952 and 1953, see Table XIV, "The Canadian Balance of International Payments, 1957, and International Investment Position".
[2] Corporations engaged in the construction industry are included in the post-war period.
* Petroleum and natural gas industry not available separately. For treatment see footnote 2 to Table XVI.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XV. Ownership and Control of Selected Canadian Industries,[1] 1955-57[2]

No.	Company classification	Estimated total investment	Investment owned in: Canada	United States	United Kingdom	Other countries
		millions of dollars				
	End of 1955					
	Manufacturing:[3]					
1	Beverages	385	282	89	12	
2	Rubber	139	26	102	11	
3	Textiles	594	472	65	55	
4	Pulp and paper	1,442	715	589	132	
5	Agricultural machinery	160	102	58[4]	..	
6	Automobiles and parts	335	66	267	1	
7	Transportation equipment n.o.p.	242	139	43	60	
8	Primary iron and steel	438	371	57	8	
9	Electrical apparatus	411	100	274	26	
10	Chemicals	737	260	329	132	
11	Other	4,011	2,155	1,450	334	
12	**Sub-totals**	**8,894**	**4,688**	**3,323**	**771**	
13	**Petroleum and natural gas**	**2,961**	**1,107**	**1,716**	**31**	
	Mining:					
14	Smelting and refining of non-ferrous native ores	785	338	326	74	
15	Other mining	1,315	572	675	48	
16	**Sub-totals**	**2,100**	**910**	**1,001**	**122**	
17	**Totals of above industries**	**13,955**	**6,705**	**6,040**	**924**	
	End of 1956					
	Manufacturing:[3]					
1	Beverages	383	282	87	12	
2	Rubber	160	29	119	12	
3	Textiles	588	460	70	56	
4	Pulp and paper	1,617	759	721	129	
5	Agricultural machinery	169	105	64[4]	..	
6	Automobiles and parts	375	79	294	1	
7	Transportation equipment n.o.p.	268	112	52	104	
8	Primary iron and steel	549	463	71	11	
9	Electrical apparatus	470	130	294	30	
10	Chemicals	823	295	372	137	
11	Other	4,540	2,442	1,633	360	
12	**Sub-totals**	**9,942**	**5,156**	**3,777**	**852**	
13	**Petroleum and natural gas**	**3,500**	**1,225**	**2,063**	**72**	
	Mining:					
14	Smelting and refining of non-ferrous native ores	844	358	347	81	
15	Other mining	1,609	693	808	75	
16	**Sub-totals**	**2,453**	**1,051**	**1,155**	**156**	
17	**Totals of above industries**	**15,895**	**7,432**	**6,995**	**1,080**	
	End of 1957[r]					
	Manufacturing[3]					
1	Beverages	418	304	97	15	
2	Rubber	177	28	136	13	
3	Textiles	609	481	71	55	
4	Pulp and paper	1,639	771	727	133	
5	Agricultural machinery	171	103	68[4]	...	
6	Automobiles and parts	386	86	298	1	
7	Transportation equipment n.o.p.	277	148	57	72	
8	Primary iron and steel	557	422	79	51	
9	Electrical apparatus	494	150	297	31	
10	Chemicals	942	360	418	142	
11	Other	4,924	2,443	1,930	411	
12	**Sub-totals**	**10,594**	**5,296**	**4,178**	**924**	
13	**Petroleum and natural gas**	**4,456**	**1,603**	**2,574**	**108**	
	Mining:					
14	Smelting and refining of non-ferrous native ores	893	411	350	70	
15	Other mining	1,934	846	957	92	
16	**Sub-totals**	**2,827**	**1,257**	**1,307**	**162**	
17	**Totals of above industries**	**17,877**	**8,156**	**8,059**	**1,194**	

[1] The figures in this table are subject to important statistical qualifications which are described in "Canada's International Investment Position, 1954" pages 68 to 70. It should be emphasized that book value series are based on corporate classifications. Consequently the entire investment in Ca a corporation and its subsidiaries is normally attributed to its principal activity; in the case of some industrial subdivisions this could have significant The corporate classifications of foreign investment used herein have been altered in some cases from those appearing elsewhere in this report to cor more closely with the classification of estimated total investment. The equity of non-residents in the holding of Consolidated Mining and Smelting Com Canada Limited by Canadian Pacific Railway Company has been included under mining.

TABLE XV. Ownership and Control of Selected Canadian Industries,[1] 1955-57[2]

Total Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:			
Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	No.
millions of dollars			per cent							
333	50	2	73	23	3	1	86	13	1	1
3	122	14	19	73	8	—	2	88	10	2
488	57	49	80	11	9	—	82	10	8	3
657	626	159	50	41	9	—	46	43	11	4
107	53[4]	..	64	36[4]	..	..	67	33[4]	..	5
13	322	—	20	80	—	—	4	96	—	6
108	44	90	57	18	25	—	45	18	37	7
404	34	—	85	13	2	—	92	8	—	8
76	279	56	24	67	6	3	18	68	14	9
174	373	190	35	45	18	2	23	51	26	10
1,899	1,779	333	54	36	8	2	47	45	8	11
4,262	**3,739**	**893**	**53**	**37**	**9**	**1**	**48**	**42**	**10**	12
623	**2,173**	**165**	**37**	**58**	**1**	**4**	**21**	**73**	**6**	13
246	539	—	43	42	9	6	31	69	—	14
659	610	46	43	51	4	2	50	46	4	15
905	**1,149**	**46**	**43**	**48**	**6**	**3**	**43**	**55**	**2**	16
5,790	**7,061**	**1,104**	**48**	**43**	**7**	**2**	**41**	**51**	**8**	17
334	47	2	74	23	3	—	87	12	1	1
5	141	14	18	74	8	—	3	88	9	2
477	61	50	78	12	10	—	81	10	9	3
741	685	191	47	45	8	—	46	42	12	4
111	58[4]	..	62	38[4]	..	..	66	34[4]	..	5
19	356	—	21	79	—	—	5	95	—	6
103	53	112	42	19	39	—	38	20	42	7
511	38	—	84	13	2	1	93	7	—	8
109	296	65	28	63	6	3	23	63	14	9
206	416	201	36	45	17	2	25	51	24	10
2,170	1,957	413	54	36	8	2	48	43	9	11
4,786	**4,108**	**1,048**	**52**	**38**	**8**	**2**	**48**	**41**	**11**	12
699	**2,570**	**231**	**35**	**59**	**2**	**4**	**20**	**73**	**7**	13
258	586	—	42	41	10	7	31	69	—	14
772	683	154	43	50	5	2	48	42	10	15
1,030	**1,269**	**154**	**43**	**47**	**6**	**4**	**42**	**52**	**6**	16
6,515	**7,947**	**1,433**	**47**	**44**	**7**	**2**	**41**	**50**	**9**	17
361	51	6	72	23	4	1	87	12	1	1
5	157	15	16	77	7	—	3	89	8	2
494	65	50	79	12	9	—	81	11	8	3
737	704	198	47	44	8	1	45	43	12	4
101	70[4]	...	60	40[4]	...	...	59	41[4]	...	5
21	365	—	22	77	1	—	5	95	—	6
91	57	129	53	21	26	—	33	21	46	7
413	46	98	76	14	9	1	74	8	18	8
112	317	65	30	60	7	3	23	64	13	9
234	484	224	38	45	15	2	25	51	24	10
2,093	2,294	537	50	39	8	3	42	47	11	11
4,662	**4,610**	**1,322**	**50**	**39**	**9**	**2**	**44**	**44**	**12**	12
1,058	**3,149**	**249**	**36**	**58**	**2**	**4**	**24**	**71**	**5**	13
308	585	—	46	39	8	7	34	66	—	14
800	866	268	44	49	5	2	41	45	14	15
1,108	**1,451**	**268**	**44**	**46**	**6**	**4**	**39**	**52**	**9**	16
6,828	**9,210**	**1,839**	**45**	**45**	**7**	**3**	**38**	**52**	**10**	17

[2] For 1953 and 1954 see Table XV, "The Canadian Balance of International Payments, and International Investment Position" for 1956 and 1957 respectively.
[3] Includes "Other enterprises".
[4] Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in line 11.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries Year Ends, 1954-57[1]

Industry	1954	1955	1956	1957
	billions of dollars			
Total capital employed:[2]				
Manufacturing	8.3	8.9	9.9	1
Petroleum and natural gas	2.5	3.0	3.5	
Other mining and smelting	1.9	2.1	2.5	
Railways	4.1	4.2	4.4	
Other utilities	5.3	5.9	6.4	
Merchandising[3] and construction	6.1	6.5	7.3	
Totals of above	**28.2**	**30.6**	**34.0**	3
Resident owned capital:				
Manufacturing	4.4	4.7	5.1	
Petroleum and natural gas	1.0	1.1	1.2	
Other mining and smelting	0.9	1.0	1.2	
Railways	2.7	2.8	3.0	
Other utilities	4.6	5.2	5.5	
Merchandising and construction	5.5	5.9	6.6	
Totals of above	**19.1**	**20.7**	**22.6**	2
Non-resident owned capital:[4]				
Manufacturing	3.9	4.2	4.8	
Petroleum and natural gas	1.5	1.9	2.3	
Other mining and smelting	1.0	1.1	1.3	
Railways	1.4	1.4	1.4	
Other utilities	0.7	0.7	0.9	
Merchandising	0.6	0.6	0.7	
Totals of above	**9.1**	**9.9**	**11.4**	1
United States owned investments:[4]				
Manufacturing	3.1	3.3	3.8	
Petroleum and natural gas	1.4	1.7	2.1	
Other mining and smelting	0.9	1.0	1.1	
Railways	0.6	0.6	0.5	
Other utilities	0.6	0.6	0.7	
Merchandising	0.4	0.4	0.5	
Totals of above	**7.0**	**7.6**	**8.7**	
Total Canadian and external investment in companies controlled outside Canada:				
Manufacturing	4.3	4.6	5.2	
Petroleum and natural gas	1.7	2.3	2.8	
Other mining and smelting	1.0	1.2	1.4	
Railways	0.1	0.1	0.1	
Other utilities	0.4	0.5	0.4	
Merchandising	0.5	0.6	0.6	
Totals of above	**8.0**	**9.3**	**10.5**	
Total Canadian and external investment in companies controlled in the United States:				
Manufacturing	3.4	3.7	4.1	
Petroleum and natural gas	1.7	2.2	2.6	
Other mining and smelting	0.9	1.1	1.3	
Railways	0.1	0.1	0.1	
Other utilities	0.4	0.4	0.3	
Merchandising	0.4	0.4	0.4	
Totals of above	**6.9**	**7.9**	**8.8**	

[1] For selected year ends 1926 to 1956 (without segregation of petroleum and natural gas industry--see footnote 2) see Table XVI, "The Canadian Ba of International Payments, 1958, and International Investment Position".

[2] Estimated from "Taxation Statistics" and other sources. Investment in the Petroleum and Natural Gas Industry: Estimates for years prior to 1954 not been constructed for Tables XII, XIV, or XVI grouping data for the petroleum and natural gas industry as a whole, as is done for more recent years in tables and for all years elsewhere in this report. Under procedures in use earlier, components of the industry have appeared under four separate categor investment. Concerns engaged in refining have been classified under manufacturing. Those engaged primarily in exploration and development of petroleu natural gas have been included under mining and smelting. Concerns engaged primarily in the transportation of petroleum and natural gas, whether by pipeli other means, have been shown as utilities, and those engaged primarily in marketing and distribution have been included under merchandising. (For furthe planation see page 33 of "The Canadian Balance of International Payments, 1957, and International Investment Position").

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating relative magnitudes only.

[4] The figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been included with facturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, it should be recognized that some of the amounts of year to changes, derived from the table as shown, may have only a limited significance and may from time to time be misleading.

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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1960
AND
INTERNATIONAL INVESTMENT POSITION

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Page

19. Foreign Financing of All Canadian Investment, 1946-60 49
20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-60 49
21. Direct Investment in Canada by Countries other than the United States and United Kingdom, Selected Year Ends, 1955-59 51
22. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt, 1954 and 1959 52
23. Selected Ratios Relating to Canadian Long-Term Funded Debt, 1954-59 53
24. Detail of Foreign Investment in "Financial" Category, 1956 and 1959 53
25. Detail of Foreign Investment in "Miscellaneous Investments", 1952-59 54
26. Change in Number of Canadian Concerns in which Foreign Capital is Invested, 1959 55
27. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends, 1949-59 56
28. Canadian Direct Investment Abroad, Industrial Detail, 1954 and 1959 57
29. Non-Resident Equity and Control of Canadian Direct Investments Abroad, Selected Year-Ends, 1954-59 57
30. Ownership and Control of Selected Canadian Industries: Net Change in Book Values, 1954-59 59
31. Analysis of Control of Selected Canadian Industries, 1948 and 1959 59
32. Ownership and Control of Selected Canadian Industries, End of 1954, 1957 and 1959 60
33. Analysis of Foreign Investments in "Other Manufacturing" as shown in Table XV, 1959 61

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1959 and 1960 65
II. Annual Statements of the Canadian Balance of International Payments, 1946-60 66
III. Current Account Between Canada and All Countries, 1926-60 69
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 70
V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-60 74
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-60 74
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-59 75
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59 by Type of Security and Nature of National Ownership 76
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59, by Type of Investment 78
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-59 by Type of Business 79
XI. Number of Canadian Concerns Controlled Abroad, End of 1959, by Country of Ownership and Type of Business 80
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-59 80
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-60 81
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-59 81
XV. Ownership and Control of Selected Canadian Industries, 1957-59 82
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends, 1954-59 84

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1960

Summary

Canada's international accounts provide a means of observing the large volume and direction of the nation's dealings with other countries and their impact upon the international investment position. Both commercial and financial transactions with other countries are unusually large in relation to production and capital markets in Canada.

Some of the main outlines of Canada's balance of payments have been outstanding features for a period of years. Among these features which continued in 1960 were the large volume of transactions and wide imbalance on current account which was financed by inflows of capital chiefly for long-term investment. For a long period capital inflows have included such leading types as direct investments in Canadian industry, initiated by non-resident companies, and inflows arising from borrowing abroad by Canadians.

The largest outstanding change in 1960 was the contraction in the current account deficit from $1,504 million in 1959 to $1,217 million in 1960. This was brought about mainly by a rise in merchandise exports which reduced the import balance on merchandise trade from $422 million to $145 million. At the same time the current deficit continued to be large in relation to most earlier years mainly due to the deficit of $1,072 million from non-merchandise transactions which remained close to the record level of the previous year. Capital inflows for long-term investment continued to be large in total with a new peak of $645 million in the inflow for direct investment, along with, however, a sizable contraction in inflows into portfolio securities.

Among major external influences was the strong overseas demand for Canadian exports, originating in the United Kingdom and other countries in Western Europe and in certain countries elsewhere. Conditions overseas contrasted with the more hesitant economic conditions in the United States and Canada which contributed to reduced exports to the United States and to relatively stable levels of Canadian imports.

Influenced by these factors the contraction in the current deficit originated entirely in transactions with overseas countries where a moderate surplus of $139 million reappeared in 1960 following the unusual deficit of about twice that size in 1959. At the same time the current deficit with the United States rose to $1,356 million, a level higher than in the two preceding years but less than in either 1956 or 1957.

Persistent deficits on current account have had their counterpart in increased net foreign investment in Canada. Canada's gross external liabilities and gross external assets, including equity investments, both increased in 1960, and Canada's net international indebtedness rose by $1.4 billion to $16.9 billion. Gross liabilities of $26 billion were about nine-tenths in long-term form, and one-half represented direct foreign-controlled investment in Canadian industry and commerce. More than a third of Canada's gross assets which exceeded $9 billion was in short-term form, and well over a third represented assets of the Government of Canada ranging from long-term loans and investments to official holdings of gold and foreign exchange. The largest part of the expansion in this excess of international liabilities over assets has occurred in the past half decade during which period the balance has more than doubled.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1953-60

Account	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
	millions of dollars								
erchandise exports (adjusted)	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,400	+250
erchandise imports (adjusted)	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,545	- 27
Balance on merchandise trade	- 58	+ 13	-211	- 728	- 594	- 179	- 422	- 145	+277
ther current receipts	1,339	1,307	1,518	1,784	1,621	1,550	1,642	1,724	+ 82
ther current payments	1,724	1,752	2,005	2,422	2,482	2,502	2,724	2,796	+ 72
Balance on non-merchandise transactions	-385	-445	-487	- 638	- 861	- 952	-1,082	-1,072	+ 10
Current account balance	**-443**	**-432**	**-698**	**-1,366**	**-1,455**	**-1,131**	**-1,504**	**-1,217**	**+287**
irect investment in Canada	+426	+392	+417	+ 583	+ 514	+ 420	+ 550	+ 690	+140
et new issues of Canadian securities	+189	+128	- 18	+ 526	+ 665	+ 519	+ 449	+ 194	-255
et trade in outstanding Canadian securities	- 31	+ 63	- 27	+ 199	+ 92	+ 88	+ 201	+ 52	-149
ll other capital movements	-141	-151	+326	+ 58	+ 184	+ 104	+ 304	+ 281	- 23
Net capital movement	**+443**	**+432**	**+698**	**+1,366**	**+1,455**	**+1,131**	**+1,504**	**+1,217**	**-287**

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

Changing interest and money market conditions and exchange rates also play their part in the internal administrative decisions. Such circumstances are constantly changing and the levels of remittance consequently vary accordingly. In the past decade and a half, however, as shown in Statement 9A remittances for this group of companies as a whole have never approached the levels of earnings, although in some individual companies this may not have been the case.

The effects of higher and more widely distributed incomes of Canadians upon non-merchandise transactions are most clearly evident in the travel account where the change in ten years has been from a surplus of $49 million in 1950 to a deficit of $207 million in 1960. This has been brought about by a much greater increase in Canadian travel abroad than in non-resident travel in Canada. Canadian expenditures abroad are now almost three times as high as in 1950, when there were still some Canadian restrictions on pleasure travel and before the great extension in facilities for overseas travel. In the same period non-resident expenditures in Canada underwent a more moderate growth rising in value by something over one-half.

Expenditures on most international pleasure travel represent outlays of discretionary income remaining after more essential consumption. Rising incomes in Canada have greatly increased the number of persons with income available for this purpose, and more widely available facilities encouraging travel to other countries have combined to augment the outward movement. Travel mobility has been greatly extended by a wider ownership of automobiles and by improved public transportation, with the most flexible new facilities being provided by air travel to all parts of the world as well as by improvements in other more traditional means.

Canada's geographical location and climate also appear to have contributed to the growth in a debit balance on travel account. A characteristic of the movement of Canadians abroad is the way in which it is spread throughout the year, being stimulated by the severity of Canada's climate which in turn tends to limit most non-resident travel to Canada to a short period in the summer. And many of the regions abroad visited by Canadians, particularly in the winter and spring, are very distant requiring long journeys abroad to reach them. Moreover at all times of the year considerable amounts are spent on transportation even for visits to the United States as destinations there tend to be well within that country and most of the Canadian population lives close to the international border with usually convenient access to the United States.

The widespread influences of many media of communications in the United States, and prevailing tastes in consumption also work towards stimulating the southward movement of Canadian travellers. And a substantial part of the expenditures of Canadian travellers there are for merchandise often bought on special shopping expeditions: Canadian travel to overseas countries is subject to other special influences. Family, personal and cultural relations have always drawn Canadians to visit European countries and these have been strengthened in the post-war period by the increased number of persons in the Canadian population born in the United Kingdom and Western Europe, and by the large numbers of Canadians who had war-time service overseas. Furthermore, the cost of trans-Atlantic and other overseas travel appears to have come within the reach of more Canadians than formerly, being relatively lower in relation to incomes than in earlier decades.

While Canada's tourist trade from non-resident visitors expanded during the 1950's, the growth was less rapid than in the case of Canadian travel abroad. This appears to have been partly due to growing competition from other sources, within and outside of the United States. Some of this growing competition has been brought about by the same forces which diverted Canadian travel to many destinations abroad. The development of facilities outside of Canada and rapid means of getting to them have created new conditions of competition. One result may have been to influence the character of travel to Canada with its special appeal to the outdoors traveller for short periods concentrated during the summer months. Places visited in Canada, too, particularly by the automobile tourist, are often contiguous to the northern periphery of a mobile vacation trip which includes areas in the United States. This may tend to make the duration of visits in Canada dependent upon many transitory and variable factors which during the past decade have included the depreciation of the United States dollar, as well as the weather, and variable conditions related to available accommodation. Other factors, too, have tended to give United States travel to Canada some special features, such as the usually short trip into Canada characteristic of travel to many popular destinations which are comparatively close to the border, the extent of visiting friends and relatives, and the often reported limited interest or success in shopping for merchandise specialties.

The large degree of concentration in United States travel to Canada with more than half in the third quarter of the year is an over-riding characteristic carrying with it the problems of providing capacity for handling such a huge and mobile volume of visitors in a short period. And such a restless group of travellers is used to taking many comforts for granted as part of their standard of living. The number of overnight visitors to Canada accommodated in a short season appears from available statistics to be far greater than crosses the frontiers of other nations. But even this group is a small part of the total entries of non-resident visitors which were not far below 30,000,000 in 1960 when all local and commuting crossings are included. In that year there were over 8,700,000 visitors to Canada from the United States who were accom

modated overnight, but well over half of these stayed only one or two nights. In the case of visitors by automobile the group staying one night alone numbered 3,659,000, and another 1,186,500 remained in Canada only two nights. The group staying from three to seven nights was about one-quarter of the total staying overnight, and all visitors remaining over eight days numbered a little over 1,000,000, or approximately 12 per cent of all persons accommodated over night.

Quarterly Movements

In contrast to the quarter-to-quarter gain in the current account deficit (after allowance for normal seasonal variations) during 1958, the fluctuations in the deficit traced a saw-tooth course in 1959. This irregular pattern was continued in 1960, with the imbalance in the second and fourth quarters of the year being at about the same level as the final quarter of 1959. The deficits for the first and third quarters were about 10 per cent and one-third lower, respectively, than the average level of the higher quarters. About four-fifths of the substantial third quarter shrinkage in the current account deficit was attributable to merchandise trade, in which a surplus emerged for the first time since mid-1955, after regular seasonal fluctuations are taken into account. In reflection of the slowing of the tempo of economic activity in 1960, merchandise imports peaked in the first quarter, then settled down to a plateau about 4 per cent lower for the remainder of the year, but with a further shallow dip in the third quarter. Merchandise exports, on the other hand, were higher in the first and third quarters, and were at about the same level in the second and fourth quarters, about 6 per cent below the other two quarters.

Net payments on non-merchandise transactions were higher in the initial half of the year, and lowest in the third quarter. The range of fluctuations, however, during 1960 was much narrower for the deficit on "invisibles" than that for merchandise trade, notwithstanding the fact that the former accounted for at least 80 per cent of the current account imbalance in each of the quarters. With the annual deficit on non-merchandise transactions being practically unchanged at $1,082 million in 1959 and $1,072 million in 1960, quarterly fluctuations in the individual accounts were offsetting, and contributed to the stability. The first quarter net payments for travel, interest and dividends were above those in the final quarter, with the 1960 peak level occurring in the second quarter. Both gold production available for export and net payments for freight and shipping services were at about the same level in the opening and closing quarters. Within the year the former stood highest in the third quarter and the latter lowest, also in the third. Net payments of inheritances and migrants' funds were fairly level over the four quarters, while the deficit on "all other current transactions" closed the year at an appreciably higher level than the other quarters, with the smallest imbalance occurring in the second quarter. In sum, the deficit on non-merchandise transactions during 1960 was highest in the second and lowest in the third quarter. And these, in combination with the second highest merchandise trade deficit in the second and the only surplus in the third quarter, produced the highest current account deficit in the second quarter and the lowest in the third. At annual rates the second quarter deficit was about 15 per cent higher and the third quarter deficit about 25 per cent lower than the 1960 current account deficit of $1,217 million.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1958-60

Country or area	1958				1959				1960			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
United States	−314	−389	−160	−313	−388	−368	−187	−287	−341	−447	−166	−402
United Kingdom	+ 1	+ 20	+ 20	+ 63	+ 5	− 5	− 28	+ 41	+ 29	+ 13	+ 48	+ 81
Other sterling area	+ 37	+ 10	+ 5	+ 17	+ 20	− 16	− 4	− 2	+ 16	+ 7	+ 8	+ 14
Other countries[1]	− 16	+ 28	− 72	− 68	− 65	− 62	−103	− 55	− 25	− 43	− 12	+ 3
All countries	**−292**	**−331**	**−207**	**−301**	**−428**	**−451**	**−322**	**−303**	**−321**	**−470**	**−122**	**−304**

[1] Includes other OEEC countries.

During the first quarter of the year when 26 per cent of the current account deficit was incurred, 44 per cent of the inflows of capital in long-term forms occurred, some 20 per cent more than the deficit. Inflows of foreign direct investment capital reached a peak of $196 million in this period and receipts from international transactions in Canadian securities were not much smaller than this. This was the only first quarter since 1954 when the inflows in long-term forms exceeded the current account deficit. This condition changed markedly in the second quarter which saw 39 per cent of the current deficit or a larger proportion than for any year since 1954. Some 31 per cent of the inflow of capital in long-term forms occurred in this quarter, equivalent to about 58 per cent of the deficit as inflows for both direct and portfolio investment contracted.

In the third quarter net inflows in long-term forms continued to decline, but not as rapidly as the current account deficit. Direct investment receipts from security transactions fell sharply. About 10 per cent of the current account deficit occurred in this period, the lowest proportion since 1954, as did about 18 per cent of the inflow in long-term forms, which were in total some 25 per cent above the deficit; this general relationship is seasonally normal. The final quarter was responsible for some 25 per cent of the current account deficit for 1960, and only 7 per cent of the inflow of capital in long-term forms occurred in this period. This was the lowest percentage recorded for any quarter covered by official estimates. These inflows were equivalent to 21 per cent of the deficit and represented a smaller proportion than for any earlier quarter. Most of the reduction arose from a shift in portfolio security transactions which led to a substantial outflow, offsetting a significant part of other inflows.

The Canadian dollar continued to be a "strong" currency in the world's exchange markets during 1960, although there was at the end of the year some moderation from the very high levels of recent years. The exchange value of the United States dollar in Canada was 95.22 cents at the end of 1959. A tendency to rise was in evidence before the end of March, and this movement continued, with a pause in the latter part of April, until late May when the price reached 99.00 cents. By mid-year this rate was down to 98.03 cents and the trend continued until mid-August when it has declined to 96.62 cents. With the exception of this period centred about the May peak, rates were relatively stable until the last ten days of December. The price of the United States dollar in Canada then rose sharply by more than 1½ cents to close the year at 99.66 cents. Among factors contributing to this change may have been some uncertainty related to the introduction of the Budget late in the month.

The highest rate for the United States dollar recorded during the year was 99.81 cents on December 28, which was 0.25 cents below the high for 1955, and the lowest was 94.94 cents recorded early in March. The trading range for the year as a whole was 4.87 cents which was somewhat larger than in recent years. The noon average price of the United States dollar in Canada was 96.97 cents in 1960, compared with 95.90 cents in 1959 and 97.06 cents in 1958.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1959 and 1960

Quotations reported on transactions between banks in the exchange market

Quarter	1959			1960		
	High	Low	Noon average	High	Low	Noon average
	Canadian cents per unit					
I	98.19	96.47	97.05	95.81	94.94	95.18
II	96.75	95.41	96.17	99.00	95.56	97.49
III	96.00	94.66	95.45	98.31	96.62	97.33
IV	95.59	94.56	94.97	99.81	97.22	97.92
Year	**98.19**	**94.56**	**95.90**	**99.81**	**94.94**	**96.97**

Note: Closing Quotations: 1957, 98.40625; 1958, 96.4375; 1959, 95.21875; 1960, 99.65625.
Source: Bank of Canada.

Bilateral Changes

A characteristic bilateral course of the Canadian balance of payments, long established, has been the existence of large current surpluses from transactions with overseas countries, which helped to settle current deficits with the United States. The overseas surplus, which has been declining in the recent period, turned into a deficit in 1959, but was re-established in 1960.

In the earlier post-war years the underlying pattern was emphasized by shortages of many commodities and by the process of rehabilitation of productive facilities then underway in overseas countries. But the subsequent progress and completion of reconstruction, repercussions of international incidents such as Korea and the Suez, evolution of regional trading groups as exemplified by the European Economic Community, expansion of economic and technical assistance to underdeveloped countries and the resurgence of trading nations such as Western Germany and Japan have contributed to modifying the pattern of Canada's trade.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1950-60

Country or area	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
	millions of dollars											
United States	−400	−951	−849	−904	−807	−1,035	−1,639	−1,579	−1,176	−1,230	−1,356	−126
United Kingdom	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 13	+ 171	+158
Other sterling area	− 23	− 24	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	− 2	+ 45	+ 47
Other OEEC countries	+112	+218	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	− 120	− 1	+119
Overseas territories[1]	− 4	+ 5	+ 7	+ 1	− 14	− 27	− 34	− 37	− 33	− 42	− 27	+ 15
Other countries	− 43	+ 12	+179	+ 72	+ 9	− 77	− 44	− 28	− 136	− 123	− 49	+ 74
All countries	**−334**	**−517**	**+164**	**−443**	**−432**	**− 698**	**−1,366**	**−1,455**	**−1,131**	**−1,504**	**−1,217**	**+287**

[1] Overseas territories of other OEEC countries.

While current surpluses with overseas started on a declining trend in the early fifties, current deficits with the United States exceeded one billion dollars in 1955 and have since remained above this level. This development was a result of rising deficits from non-merchandise transactions with each of the two areas and of higher import balances with the United States.

Following an acceleration in the declining tendency in 1959, when a surplus with overseas countries of $45 million in the previous year changed to a deficit of $274 million, a sharper turn-around of $413 million took place in 1960, when a surplus of $139 million was realized from transactions with overseas countries. This substantial change was attributable mainly to a 20 per cent rise in exports, as imports remained about the same and the gain in receipts from "invisible transactions" just about offset increased payments.

Although the current account surplus with overseas in 1960 was more than double that of 1950, this was due to the surplus in that early year being exceptionally small for that period. In other years of the early period surpluses with overseas were very much larger than in 1950 or 1960.

The changes between 1960 and the early period have been rather variable in the case of the balance from merchandise trade. The enlarged export balance in 1960 from trade with overseas countries was still less than in several early years. But the trend in the balance from non-merchandise transactions shows clearly a transition from surpluses to a rising deficit of substantial proportions.

The regional sources of the changes in overseas transactions have also undergone a variety of shifts. But the current surplus with the United Kingdom and the Rest of the Sterling Area were still less in 1960 than in most of the early years shown in Statement 4. And the surplus with other OEEC countries, and with other countries in most years as well, had disappeared and turned into deficits.

Canada's traditional export balance from merchandise trade with overseas, ranging in the current ten-year period between approximately $100 million and over $900 million, was $531 million in 1960. This total was higher than the average surplus over the decade due to such factors as the incidence in 1960 of hesitant business activity in Canada in contrast with a condition of economic boom in Western Europe, the United Kingdom, Australia and Japan and the removal of restrictions against imports from Canada.

Contributing to the expansion in the deficit on non-merchandise transactions with overseas have been higher payments on most accounts, including travel, income, freight, government expenditures, personal remittances, official contributions, business services and miscellaneous income. The rising level of net payments has been fostered particularly by growing contacts between Canada and the United Kingdom and Western Europe in the fields of defence, business and personal relationships. It should be noted that Statements 4A and 7A do not include Mutual Aid to NATO countries in the form of transfers of military equipment, contributions towards infrastructure programmes and provision of aircrew training in Canada for these countries. From a peak of $284 million in 1954, this aid has been declining as the defence forces of European partners have been rebuilt, and amounted to $43 million in 1960. Since the emergence in 1953 of a deficit on non-merchandise transactions with overseas countries, the export trade balances have been sufficient to cover the deficit each year, with the exception of 1959.

STATEMENT 4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-60

Year	Merchandise exports[1]		Other current receipts[1]		Total current receipts[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,521	1,468	748	352	2,269	1,820	4,089
1950	2,046	1,093	831	270	2,877	1,363	4,240
1951	2,326	1,624	852	364	3,178	1,988	5,166
1952	2,346	1,993	928	391	3,274	2,384	5,658
1953	2,458	1,694	985	354	3,443	2,048	5,491
1954	2,355	1,574	951	356	3,306	1,930	5,236
1955	2,598	1,734	1,102	416	3,700	2,150	5,850
1956	2,854	1,983	1,161	466	4,015	2,449	6,464
1957	2,931	1,963	1,139	482	4,070	2,445	6,515
1958	2,908	1,979	1,102	448	4,010	2,427	6,437
1959	3,191	1,959	1,189	453	4,380	2,412	6,792
1960	3,039	2,361	1,242	482	4,281	2,843	7,124
	Merchandise imports		Other current payments[1]		Total current payments[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	1,899	797	971	245	2,870	1,042	3,912
1950	2,093	1,036	1,184	261	3,277	1,297	4,574
1951	2,842	1,255	1,287	299	4,129	1,554	5,683
1952	2,817	1,033	1,306	338	4,123	1,371	5,494
1953	3,046	1,164	1,301	423	4,347	1,587	5,934
1954	2,800	1,116	1,313	439	4,113	1,555	5,668
1955	3,283	1,260	1,452	553	4,735	1,813	6,548
1956	4,021	1,544	1,633	632	5,654	2,176	7,830
1957	3,878	1,610	1,771	711	5,649	2,321	7,970
1958	3,443	1,623	1,743	759	5,186	2,382	7,568
1959	3,727	1,845	1,883	841	5,610	2,686	8,296
1960	3,715	1,830	1,922	874	5,637	2,704	8,341
	Net balance—Merchandise trade		Net balance—All other current transactions		Net balance—Current account		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1949	− 378	+671	−223	+107	− 601	+ 778	+ 177
1950	− 47	+ 57	−353	+ 9	− 400	+ 66	− 334
1951	− 516	+369	−435	+ 65	− 951	+ 434	− 517
1952	− 471	+960	−378	+ 53	− 849	+1,013	+ 164
1953	− 588	+530	−316	− 69	− 904	+ 461	− 443
1954	− 445	+458	−362	− 83	− 807	+ 375	− 432
1955	− 685	+474	−350	−137	−1,035	+ 337	− 698
1956	−1,167	+439	−472	−166	−1,639	+ 273	−1,366
1957	− 947	+353	−632	−229	−1,579	+ 124	−1,455
1958	− 535	+356	−641	−311	−1,176	+ 45	−1,131
1959	− 536	+114	−694	−388	−1,230	− 274	−1,504
1960	− 676	+531	−680	−392	−1,356	+ 139	−1,217

[1] Excludes Mutual Aid.

Following reductions in successive years of about 28 per cent from a peak in 1956, the current account deficit with the United States turned up again in 1959, and was estimated at $1,356 million in 1960, about the average deficit for the six recent years. The 10 per cent increase in the deficit in 1960 was almost wholly ascribable to a fall from the record high total of $3,191 million in 1959, of about 5 per cent in Canadian exports, owing to the static condition of business activity in the United States in 1960. Merchandise imports were also down, by a shade, as were net payments on services and other non-merchandise transactions. Both exports and imports in 1960 were much higher than in 1950, although the rise in imports has been much greater.

The deficit on "invisible" transactions with the United States has grown fairly steadily in the recent past, almost doubling from $353 million in 1950 to $680 million in 1960. As seen from Statement 7A, payments for services expanded more both in absolute and relative terms (by $738 million or 62 per cent) than receipts, which rose $411 million or about 50 per cent. Larger increases were likewise recorded by payments for each of the component items shown in the table, except in the case of "all other current transactions", which total was affected in 1960 by fairly sizable non-recurring receipts. The considerably larger expansion of $269 million in expenditures by Canadian visitors to the United States than of $115 million in receipts from American tourist spending in Canada produced a shift in the travel balance of $154 million from a surplus of $67 million in 1950 to a deficit of $87 million in 1960. The deficit arising from the income account represented a predominant share of net total payments for "invisibles" in the two years. In 1950, the deficit from this source of $361 million was higher than the total of $353 million; and out of a total of $680 million in 1960 from non-merchandise transactions, the income account deficit accounted for $443 million. At $163 million and $162 million, respectively, in the two terminal years of the period, gold production available for export was practically unchanged.

In comparison with 1959, the 1960 deficit on non-merchandise transactions was a shade lower, due to such factors as a higher value of gold production available for export and non-recurring miscellaneous income receipts, combined with slightly lower net payments for travel and income accounts, partially offset by larger deficits for freight services and inheritances and migrants' funds. The reduced deficit in the income account reflected delays in the final quarter of the year in some dividend transfers to parent companies in the United States, which were not completed until after the opening of 1961.

The steady yearly easing evident since 1955 in the current account surplus with the United Kingdom was reversed in 1960, when the surplus turned up to $171 million from $13 million in the previous year. The 1960 total, which was about one-half of that of $330 million in 1955, approximated the average level of the surplus for the 6-year period from that year on. The improvement in the current account surplus with the United Kingdom in 1960 was materially attributable to the substantial rise in merchandise exports to a peacetime record, while both imports and net payments on non-merchandise transactions were also slightly lower in 1960. The widely distributed nature of the increases in exports is described in the section of this report dealing with merchandise trade which follows. At $924 million exports compared with $469 million a decade earlier in 1950 while imports at $611 million compared with $399 million in that earlier year.

The deficit on non-merchandise transactions with the United Kingdom tripled to $142 million in 1960 from $46 million in 1950 which, however, was the only deficit in the period from 1946 to 1952. The largest contributions to the expanded deficit on "invisibles", of about $38 million each, were attributable to the travel account and to "all other current transactions", and another $21 million originated in the freight account. The income account deficit of $48 million, as seen from Table II, more than accounted for the whole of net service payments of $46 million in 1950, while the deficits on travel account and on "all other current transactions" were each about one-fourth the magnitude of that on interest and dividends. Freight and shipping still yielded a substantial surplus of $25 million in 1950, which was lower than that of contiguous years due to reduced exports and fewer ships operated by Canadians.

In 1960, the deficit on non-merchandise transactions was distributed about equally among travel, income and "all other current transactions". The 1959 deficit was somewhat higher owing to small net payments for freight services and a larger deficit on income account than in 1960, offset in part by lower net travel payments.

In the current account balance with the Rest of the Sterling Area there was a shift from a small deficit of $2 million in 1959 to a surplus of $45 million in 1960. The export balance from merchandise trade doubled as exports rose more than imports while the deficit from non-merchandise transactions contracted with a decline in official contributions. Both exports and imports of merchandise were considerably higher than in 1950.

In transactions on "invisibles" with the Rest of the Sterling Area, a deterioration of about $30 million occurred from a surplus of $20 million in 1950 to a deficit of $11 million in 1960. Small positive changes of $12 million, $9 million and $4 million were recorded, respectively, in the freight and income accounts and inheritances and migrants' funds, while net payments on travel and "all other current transactions" rose moderately. The largest source of the expanded deficit was, however, official contributions, which were estimated at $41 million in 1960. These contributions, which bulked even higher at $64 million in 1959, covered capital assistance and technical aid, and wheat and other commodities under the Colombo Plan.

Current transactions with the other metropolitan OEEC countries in 1960 were close to balance in contrast to the substantial deficit of $120 million which first appeared in 1959. The principal factor contributing to the change was the sharp rise in Canadian exports of merchandise to this group of countries. These rose by one-third and represented a major part of the total gain in exports to all destinations. Increases which were widely distributed by commodities were most prominent among the industrial materials. Further details on these movements appear under "Merchandise Trade". Other changes in 1960 with effects opposite to the large rise in exports were a slight increase in imports of merchandise and a further rise of about 10 per cent to $229 million in the deficit from non-merchandise transactions. The latter deficit exceeded the export surplus on merchandise account by about $1 million in 1960, whereas in 1959 the net deficit was $120 million because of the smaller export surplus.

Striking changes in the balance on non-merchandise transactions with the other Metropolitan OEEC countries have developed in the past decade. There has been a change from a surplus of $21 million in 1950 to a deficit of $229 million in 1960. Contributing to this deterioration were the income, travel and freight accounts and "all other current transactions", each of which shifted either from a modest surplus or deficit in 1950 to large deficits in 1960. The rise of $24 million in 1960 in the non-merchandise deficit with the OEEC group was due to substantially increased government expenditures for co-operative defence programmes and to larger net payments of interest and dividends offset by a smaller deficit for freight services.

The current deficit with all other countries in 1960 was reduced to $76 million, which was less than half the deficit of $165 million in 1959. Again the largest single change was a rise in merchandise exports from $441 million to $498 million; and was chiefly in exports to Japan, Latin America and Communist China. But also contributing to the reduced deficit was a decline in imports from $600 million in 1959 to $564 million in 1960, mainly in imports from Latin America. On the other hand there was a small increase from $6 million to $10 million in the deficit from non-merchandise transactions.

Between 1950 and 1960, the balance on "invisible" transactions with Other Countries changed from a surplus of $14 million to a deficit of $10 million. This deterioration of $24 million was distributed to the extent of about $10 million each to the travel account, official contributions, representing relief shipments both direct and through the auspices of the United Nations agencies, and to "all other current transactions". These changes were counterbalanced in part by small increases in surpluses from inheritances and migrants' funds and shipping services.

Capital movements are discussed in greater detail in a later section of this report. In brief the United States supplied $979 million, an amount large enough to cover 72 per cent of the current account deficit with it or 80 per cent of the deficit with all countries. Inflows of capital for direct investment in United States controlled enterprises totalled $437 million which was $13 million higher than in 1959. Net inflows for the acquisition of Canadian stocks and bonds by United States residents totalled $226 million, $279 million lower than in 1959. Outflows for direct and portfolio investment in the United States totalled $45 million in 1960 compared with $43 million in the previous year. Capital inflows in all other forms from the United States were $361 million in 1960 compared with $463 million in 1959; for the most part these amounts represented increases in net short-term liabilities.

Net capital inflows from the United Kingdom totalled $53 million in 1960 and $97 million in 1959. Among the factors contributing to the change were larger inflows for direct investment in Canada, smaller outflows for direct investment in the United Kingdom, a shift from net sales to the United Kingdom of Canadian securities to net repurchases, and outflows in short-term forms. Net capital outflows are characteristic to other sterling area countries, but in 1960 net inflows of $5 million occurred compared with the net outflow of $40 million recorded for 1959. Most of the change occurred in movements of capital in short-term forms. From other OEEC countries there was a net capital inflow of $162 million in 1960, some $57 million higher than in 1959. Portfolio investments in Canadian securities attracted reduced amounts of capital, but inflows for direct investment increased and there was a major shift in movements in short term forms from a significant outflow in 1959 to an inflow in 1960. The net movement from all other countries changed from an outflow of $7 million in 1959 to an inflow of $18 million in 1960. The largest change was in Canadian dollar holdings of residents of these countries.

In 1959 the traditional triangular nature characteristic of Canada's balance of payments disappeared. Underlying this change were a series of developments in world economic environment which are referred to elsewhere in this report. But in 1960 the traditional pattern was re-established. In this year net capital transfers from overseas countries of $238 million were added to current account surpluses aggregating $139 million and gave rise to multilateral settlements of $377 million applied to the United States account. In the previous year there were current account deficits of $274 million with overseas countries and the net capital inflow from them at $155 million fell far short of this amount. Multilateral settlements of $119 million arising from transactions with the United States were applied to the overseas account. The extraordinary developments in 1959 are in sharp contrast with the situation in earlier years; in 1952, the year of peak bilateral imbalance, overseas multilateral settlements applied to the United States account reached more than one billion dollars. Statement 4B shows the elements contributing to variations in multilateral settlements in 1952 and in 1958 to 1960.

STATEMENT 4 B. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1958-60

Item	1952	1958	1959	1960
Net receipts (+) from overseas countries				
Current account balance:				
United Kingdom and other sterling area countries	+ 502	+ 173	+ 11	+ 216
Other overseas countries	+ 511	− 128	− 285	− 77
Sub-totals	+1,013	+ 45	− 274	+ 139
Capital transactions:				
United Kingdom and other sterling area countries	− 16	+ 91	+ 57	+ 58
Other overseas countries	+ 10	+ 88	+ 98	+ 180
Sub-totals	− 6	+ 179	+ 155	+ 238
Total balance settled by exchange transfers	**+1,007**	**+ 224**	**− 119**	**+ 377**
Net payments (−) to United States				
Current account balance	− 849	−1,176	−1,230	−1,356
Capital transactions:				
Direct and portfolio investments	+ 417	+ 830	+ 886	+ 618
Other capital movements	− 575	+ 122	+ 463	+ 361
Sub-totals	− 158	+ 952	+1,349	+ 979
Total balance settled by exchange transfers	**−1,007**	**− 224**	**+ 119**	**− 377**

Major Components of the Current Account

Merchandise Trade

Variations in the balances on merchandise trade have been particularly wide. Relatively small fluctuations in such large aggregates as Canadian exports and imports may give rise to large and significant changes in the balance. As pointed out elsewhere the size of the import balance contracted from $422 million in 1959 to $145 million in 1960, following a change in the opposite direction of almost as much in the previous year. A fairly substantial rise in exports in 1960 mainly brought this about, as imports were only slightly less than in 1959. In contrast, between 1958 and 1959 there had been a larger rise in imports than in exports, leading to a growth in the import balance in that year.

The peak import balance of $728 million occurred in 1956 when imports were at their highest level up to then, being particularly stimulated by strong investment demands. At that time exports were at a considerably lower level than has since been reached. The rise in exports has been pronounced since the latter part of 1959, following a period from 1956 to 1958 in which the totals did not change markedly.

Statistics on merchandise trade and the trade balance used in balance of payments statements are based on trade statistics, adjusted for this special purpose, as described elsewhere below.

Exports

The strong demands from overseas for many Canadian commodities provided the special factor which led to the outstanding Canadian export performance in 1960, in the face of declines in exports to the United States. These demands originated in a number of countries including the United Kingdom, the OEEC countries, Japan, Australia and several countries in Latin America. Exports to some of these overseas destinations were higher than ever before in peace time, and even in the case of the United States where declines occurred in the total during the year, that aggregate was still higher than in any year before 1959.

The increasing strength in overseas demands for Canadian exports appeared in the latter part of 1959. Exports overseas continued at high levels throughout 1960 and were at even higher levels towards the end of the year than those prevailing at the beginning of the year. The total value exported to overseas countries in 1960 was 20 per cent higher than in 1959. Exports to the United States, in contrast, started the year at a higher level but by the second quarter a downward trend was evident which continued during the remainder of the year. As a result of these trends the United States took 56 per cent of Canada's exports in 1960 compared with almost 62 per cent in the previous year.

Most of the increases in exports occurred in a number of major industrial materials which are prominent in Canadian trade. Metals, minerals and forest products each shared in the rise with particularly large gains in such metals as aluminum, copper, nickel and steel shipped to the United Kingdom and Europe, and in newsprint and lumber to various destinations. Other significant gains occurred in a variety of manufactured goods which again were able to enter some overseas markets, particularly Europe and the United Kingdom. But on the other hand wheat sales to some countries contracted, and there were also smaller shipments to the United Kingdom of some other commodities like grain, canned fish and uranium.

In the case of the United States decreases in shipments of a variety of commodities exceeded increases in others with the result that there was a reduction of some 5 per cent in the 1960 total to $3,039 million. This figure represented about 56 per cent of Canada's total exports, and the relative share was lower than that in any year since 1952, the average for this eight-year period being about 60 per cent. Exports in 1960 of uranium fell over $40 million, with the extension of the period of deliveries on contracts, while aluminum and nickel together fell by some $50 million. Decreases of between $20 million and $30 million were recorded in shipments of each of the following groups: iron ore, scrap, pigs, ingots, blooms and billets; rolling mill products, pipes, tubes, fittings and wire; and farm implements. Exports of cattle were down nearly $15 million, those of tractors, automobile parts, aircraft and parts more than $12 million, and those of furs, skins, hides and leather were about $6 million lower as were shipments of lime, plaster and cement. On the other hand, exports of crude and partly refined petroleum rose $20 million, those of newsprint and electrical apparatus increased about $14½ million in each case and those of copper roughly $13 million. Increases in exports of contractors' supplies, fertilizers and non-farm machinery ranged between about $5 million and $8 million. The following commodities comprised approximately two-thirds of merchandise exports to the United States in 1960, and the parenthetical figures represent the individual shares of the total: newsprint $631 million (21 per cent), lumber, timber, plywood and veneer $281 million (9 per cent), wood pulp $256 million (8 per cent), uranium $237 million (8 per cent), iron ore $102 million (3 per cent), crude and partly refined petroleum $94 million (3 per cent), primary and semi-fabricated nickel $89 million (3 per cent), copper $85 million (3 per cent), farm implements $76 million (3 per cent), unmanufactured asbestos $54 million (2 per cent), primary and semi-fabricated aluminum $54 million (2 per cent), and fertilizers $47 million (2 per cent).

The expansion of exports to the United Kingdom in 1960 of some 18 per cent, to a peace time record of $924 million, was shared by a number of commodities, many of which have been traditionally important in trade with the United Kingdom. The export of each of the two groups of lumber, timber, plywood and veneers, and of pigs, ingots, blooms, billets and steel rolling mill products advanced about $28 million, while gains of approximately $21 million were recorded in shipments of each of the following three groups of commodities: nickel, copper, and other non-ferrous metals, including aluminum, lead, zinc and platinum. Increases in exports of newsprint; wood pulp, pulp board and paper board; and iron ore ranged between $5 million and $11 million. On the other hand, contractions in exports of wheat and barley amounted to $20 million, of canned fish $11 million and of uranium nearly $7 million.

Exports of more than $135 million of wheat accounted for nearly 15 per cent of total exports to the United Kingdom in 1960; and shipments of aluminum amounted to $80 million, and represented about 8½ per cent. Exports of copper and nickel were valued at about $70 million for each metal, and together accounted for 15 per cent of total exports. Shipments of lumber, timber, plywood and veneers amounted to nearly $65 million and that of newsprint somewhat less.

The changes which contributed to the advance in exports to the Rest of the Sterling Area from $288 million in 1959 to $340 million in 1960 were concentrated in a relatively few broad groups of commodities. An expansion of about $20 million took place in each of the two groups: motor vehicles and parts, and lumber, timber, woodpulp and newsprint, while about a $13 million gain was seen in exports of primary and semi-fabricated aluminum and also in those of fertilizers, plastics, drugs and chemicals. Smaller increases of under $4 million were recorded in each of the three following groups: canned meat and fish, synthetic yarn and fabrics, and rolling mill products. A decline of $27 million in shipments of wheat represented the largest single offsetting loss, while exports of wheat flour declined about $3 million as did those of electrical apparatus. The 80 per cent expansion in exports of Canadian produce to Australia from $54 million to $99 million in 1960 accounted for about two-thirds of the increase in shipments to the Rest of the Sterling Area of lumber, wood pulp and newsprint, about one-half of those of automobiles and parts and roughly one-third of those of aluminum and also of plastics, fertilizers and chemicals. Exports of primary aluminum and plastics figured prominently in the doubling of shipments from $11 million to $22½ million to Hong Kong. An increase in exports to New Zealand of about the same magnitude covered, besides newsprint, plastics, automobiles and non-ferrous metals commodities such as canned salmon, and semi-fabricated steel. Lower shipments of wheat constituted the principal factor in declines of $17 million and $5 million, respectively, in exports to India and Pakistan. Other shipments financed by official contributions to these two countries continued to be substantial.

An increase of one-third, or $150 million, in exports to the other metropolitan OEEC countries, which represented 60 per cent of the export expansion to all countries in 1960, was distributed over a number of important items. Shipments of the following three groups of commodities each expanded between $20 million and $25 million: nickel; iron ore, pigs, ingots, blooms, billets, scrap iron and rolling mill products; and aluminum. Exports of the two groups—wheat, barley and flaxseed; and

copper—both advanced about $15 million, while those of the groups including synthetics, plastics, drugs and chemicals; and comprising lumber, timber and wood pulp recorded gains, respectively, of about two-thirds and one-half of the magnitude of the first two groups. The commodities mentioned in the foregoing comparison represented nearly three-fourths of the aggregate exports of $599 million to this area in 1960; and the non-ferrous metals referred to accounted for about one-third and wheat shipments more than one-fifth of total exports.

The rise in exports to other countries from $441 million to $498 million in 1960 was largely concentrated in Canada's trade with the three component areas: Japan, Latin America and Communist China, while exports to Eastern European countries remained practically unchanged. Nearly two-thirds of the gain was recorded in larger exports to Japan and about one-fourth in increased shipments to Latin America. Exports of ores, metals and minerals to Japan rose about $26 million and of wheat about $13 million, while shipments of barley were down by about $5 million and those of pulp about $4 million. The $7 million advance in exports to Communist China included a $3 million rise in aluminum shipments and another of $2½ million in chemical products. Figuring prominently in the net export increase of about $13 million to Latin America were semi-fabricated steel products (principally rolling mill products), which expanded about $10½ million, aluminum, up about $5½ million, and wood pulp and newsprint, which increased more than $3½ million; and a decline in shipments of food commodities, including wheat, eggs, malt and cured fish, of about $10 million. Among individual countries in Latin America, exports expanded nearly $12½ million to Argentina, nearly $10½ million to Mexico and over $5½ million to Brazil; but shipments declined $10½ million to Venezuela and about $5 million to Peru and Cuba together.

Imports

The outstanding feature of Canadian imports in 1960 was the relative steadiness in totals compared with the changes in preceding years. This stability also applied to import totals from both the United Kingdom and the United States and from all other countries as a group. There were, however, some shifts in the composition of commodities imported, but these were neither as numerous as formerly, nor highly significant in themselves. The effects of commodity shifts were to maintain generally imports of consumers goods and many industrial materials at the high levels reached in the preceding year. While there were contractions in some kinds of machinery and other investment goods, most of these were offset by larger purchases of aircraft and parts. Among the more specific changes in commodity composition were further gains in imports of automobiles from both overseas and the United States and larger imports of some kinds of food and textile materials and products. On the other hand declines were most numerous in various kinds of machinery and equipment and industrial materials.

Merchandise imports from the United States, totalling $3,715 million in 1960, dipped very slightly below the 1959 level and represented in the two years 67 per cent of Canada's imports from all countries. This relative share was below that of more than 70 per cent, which prevailed in the several preceding years of dynamic capital expenditure in resource industries and manufacturing. The small decline in imports in 1960 resulted from generally minor and offsetting changes covering many commodies. Imports of tractors fell nearly $40 million and reductions ranging from $10 million to about $15 million took place in each of the following groups of commodities: logs, timber, lumber, plywood and veneers; rails, pipes, tubes, fittings and wire; farm implements and non-farm machinery; and fuel oil and gasoline. Smaller cuts, but amounting to more than $5 million in each case, occurred in imports of crude and semi-fabricated rubber, trucks, cooking and heating apparatus, refrigerators and freezers, and coal. Imports of aircraft, parts and engines rose about $30 million (including adjustment to a payments basis) due largely to the acquisition of a full jet type of equipment by a major Canadian airline. Raw cotton imports from the United States increased $27 million (but purchases from Mexico fell $17 million); and imports of iron ore expanded over $20 million. Gains in imports of between $7 million and about $15 million covered each of the following groups: fresh vegetables, soya beans and Indian corn; fresh pork and poultry; rolling mill products; automobiles and parts; and plastics.

The decline of $7 million in imports from the United Kingdom from $618 million in 1959 to $611 million in 1960 was distributed over industrial materials and investment goods, with the exception of a moderate increase in the arrival of aircraft and parts. Fairly small reductions in imports individually involved wool fabrics, steel castings, forging and rolling mill products and electrical apparatus. Conversely, a substantial rise of about $20 million was registered in imports of automobiles, and receipts of platinum metal gained about $6½ million.

An 8 per cent rise in imports from $263 million to $284 million from the Rest of the Sterling Area was an outcome of an increase of $9 million each in receipts of two commodities: crude petroleum and alumina, and of about $4 million each in the two groups: cocoa beans, coffee and black tea, and raw wool, cotton fabrics and apparel, offset partially by declines of about $5 million in raw sugar imports and of about $3 million in those of fresh and canned meat.

A slight rise from $364 million to $371 million in imports from the other metropolitan OEEC countries resulted from reductions of $6 million in imports of rolling mill products and of about $7 million in automobile imports. These and other more modest declines were outweighed, however, by small increases in imports of a wide range of commodities, including non-farm machinery. The diversity of commodities imported from this area is suggested by the fact that the three items mentioned above, totalling nearly $100 million in 1960, represented a little more than one-quarter of total imports.

The sharp reduction in imports from Latin America represented nearly the whole of the $36 million decline in imports from Other Countries, from $600 million in 1959 to $564 million in 1960. With the exception of a $3½ million gain in imports from Ecuador, no other increases of substance took place in imports from any other country in Latin America. Conversely, imports from Mexico dropped $13 million, with raw cotton receipts falling even more than this amount, and those from Venezuela slid down $9½ million, which was the net result of a $12½ million decline in crude petroleum imports, offset in part by increased imports of petroleum products. Imports from Cuba declined nearly $5 million, and about a $3 million reduction was recorded in imports from each of the three countries: Brazil, Colombia and El Salvador.

Lower imports of petroleum products accounted for about a $14½ million fall in imports from the Netherlands Antilles, while crude petroleum imports from Saudi Arabia (adjusted in 1959 trade statistics to exclude Kuwait) were less by an estimated amount of $10 million. On the other hand, nearly $20 million more crude petroleum arrived from Iran; and Japan was the only other country in the Other Countries group showing an increase in exports to Canada in 1960 of nearly $8 million.

A more detailed analysis of Canada's international commodity trade will be found in the publication of the External Trade Section, *Review of Foreign Trade*, Catalogue No. 65-205, Annual.

Prices

As seen in Statement 5, the average prices of both merchandise exports and imports subsided fairly quickly after the flare-up in prices associated with the Korean War; and since 1954 trends have been gently upward, increasing 7 per cent and 6 per cent, respectively, to 1960. Within this seven-year period, the terms of Canada's trade, or the ratio of the indexes of export prices to those of import prices, have fluctuated within a rather narrow range of 107.4 in 1956 and 103.5 in 1958, based on 1948 as 100. At 106.1, the terms of trade for 1960 were below that of 107.3 for 1959 and were at the level about mid-way between the indexes of 105.1 and 106.5 for 1954 and 1955, respectively.

This slight deterioration in the terms of trade in 1960 resulted from the combination of a rise of about 1½ per cent in the average import prices (following a dip of about the same magnitude in 1959) and of a practical stability in the average export prices. The major groups of commodities imported in 1960 contributed to the 1½ per cent advance in the level of average prices, with the exception of a 2½ per cent decline in the prices of non-metallic minerals and a negligible dip in those of agricultural and other primary products. Non-metallic minerals represented 12 per cent and the primary group 15 per cent of the total value of imports in 1960. Prices of iron and steel products, which accounted for about three-eights of imports, increased about 1½ per cent, as did also those of wood products and paper. Prices of non-ferrous metals and products, accounting for 9 per cent of the import total, rose about 2½ per cent, while those of fibres and textiles and miscellaneous commodities, each of which represented 8 per cent of the value of imports, climbed 7 per cent and 8½ per cent, respectively.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-60

(1948 = 100)

Year and quarter	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.5	157.9
1956	121.4	113.0	107.4	128.5	187.5
1957	121.0	116.4	104.0	129.3	179.6
1958	120.6	116.5	103.5	130.4	165.6
1959	122.8	114.4	107.3	134.2	183.9
1960	123.2	116.1	106.1	140.3	180.7
1959 I	122.1	115.6	105.6	110.3	160.9
II	122.9	114.7	107.1	140.9	204.5
III	123.0	113.9	108.0	135.0	181.7
IV	123.0	113.7	108.2	150.8	188.2
1960 I	122.7	114.6	107.1	134.9	176.8
II	123.6	116.7	105.9	135.9	193.7
III	123.2	117.0	105.3	144.6	169.2
IV	123.2	116.3	105.9	145.6	182.7

Note: Indexes indicate movements in unadjusted trade data.

Average export prices of wood products and paper, which accounted for over 30 per cent of the export value of Canadian produce, decline 1½ per cent in 1960. This change was more than offset by price increases in other exports, ranging from 3½ per cent for non-ferrous metals and products, representing over 20 per cent of total exports, to fractional magnitudes on the part of other commodity groups.

Merchandise Adjustment

As statistics of merchandise trade generally cover movements of goods through customs channels, there have been included in regularly published trade statistics some non-commercial and other special items having no international financial implications in themselves. Examples of these up until 1960 have been settlers' effects and imports of military goods on account of other governments, which are not relevant for balance of payments purposes, and tourists' purchases and donations, which are covered under other accounts in balance of payments statements. In order, therefore, to avoid duplication and to derive a more accurate picture of the merchandise trade component, it has been necessary to adjust the regularly published statistics in the "Trade of Canada" reports; and the character and magnitude of the adjustments are shown in Statement 6. These adjustments resulted in reducing the deficit on merchandise account by $53 million in 1959, and by $87 million in 1958.

With the January 1960 issue of the official reports and imports, several special items, including settlers' effects, donations and tourist imports were segregated into a new "special transactions: non-trade" section, and are not included in the tabulated trade totals. The effect of the remaining adjustments in 1960, in contrast to the earlier years, was to increase the deficit by about $48 million. This addition was mostly accounted for by items not shown explicity in Statement 6, such as aircraft and ship purchases and transactions on defence account and wheat movements. The object of most of these remaining adjustments is to record the transactions at the most relevant time for balance of payments purposes rather than to reflect the transactions at the time they may have been recorded in customs documents. Thus data covering aircraft, ships and defence purchases are usually included on the basis of progress payments rather than shipments, and wheat movements are based largely on statistics of clearances rather than customs entries.

STATEMENT 6. Adjustments to Merchandise Trade, 1959 and 1960

Exports	1959	1960	Imports	1959	1960
	millions of dollars			millions of dollars	
Domestic exports in trade returns	5,061.0	5,264.1	Imports in trade returns	5,654.2	5,492.3
Exports of foreign produce	118.6	131.2			
Total exports	**5,179.6**	**5,395.3**			
Adjustments:			Adjustments:		
Tourist exports	− 2.7	−2.3	Tourist imports	−81.0	—
Settlers' effects	−36.1	—	Settlers' effects	−28.5	—
Private donations	− 2.9	—	Advertising	− 9.0	− 9.4
Warehousing	+ 3.7	+3.4	Warehousing	+20.9	+12.3
All other adjustments	+ 8.9	+3.8	All other adjustments	+15.5	+50.1
Total adjustments	**−29.1**	**+4.9**	**Total adjustments**	**−82.1**	**+53.0**
Merchandise exports (adjusted) (Table 1, item A1)	5,150.5	5,400.2	Merchandise imports (adjusted) (Table 1, item B1)	5,572.1	5,545.3

Note: Commencing 1960, special items, such as settlers' effects, donations and tourist imports were excluded from tabulated totals of trade returns.

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1952-60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
	millions of dollars									
Merchandise exports (adjusted)	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,400	+250
Merchandise imports (adjusted)	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,545	- 27
Balance on merchandise trade	**+489**	**- 58**	**+ 13**	**-211**	**- 728**	**- 594**	**- 179**	**- 422**	**- 145**	**+277**
Gold production available for export	+150	+144	+155	+155	+ 147	+ 144	+ 157	+ 148	+ 162	+ 14
Travel expenditures	- 66	- 63	- 84	-121	- 161	- 162	- 193	- 207	- 207	—
Interest and dividends	-268	-239	-276	-323	- 381	- 435	- 444	- 489	- 491	- 2
Freight and shipping	+ 8	- 56	- 43	- 17	- 45	- 70	- 59	- 105	- 91	+ 14
Inheritances and migrants' funds	- 9	—	- 5	- 19	- 16	- 33	- 48	- 56	- 79	- 23
All other current transactions	-140	-171	-192	-162	- 185	- 308	- 368	- 373	- 366	+ 7
Balance on non-merchandise transactions	**-325**	**-385**	**-445**	**-487**	**- 641**	**- 864**	**- 955**	**-1,082**	**-1,072**	**+ 10**
Current account balance	+164	-443	-432	-698	-1,369	-1,458	-1,134	-1,504	-1,217	+287

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

STATEMENT 7 A. Non-Merchandise Current Transactions between Canada and Other Countries, 1950 and 1960

Country or area	Receipts		Payments		Net transactions		Net change
	1950	1960	1950	1960	1950	1960	1950-1960
	millions of dollars						
United States:							
Gold production available for export	163	162	—	—	+163	+ 162	- 1
Travel expenditures	260	375	193	462	+ 67	- 87	-154
Interest and dividends	50	105	411	548	-361	- 443	- 82
Freight and shipping	157	220	240	324	- 83	- 104	- 21
Inheritances and migrants' funds	31	50	47	141	- 16	- 91	- 75
All other current transactions	170	330	293	447	-123	- 117	+ 6
Total and balance on non-merchandise transactions	831	1,242	1,184	1,922	-353	- 680	-327
All overseas countries:							
Travel expenditures	15	45	33	165	- 18	- 120	-102
Interest and dividends	41	73	64	121	- 23	- 48	- 25
Freight and shipping	127	222	61	209	+ 66	+ 13	- 53
Inheritances and migrants' funds	26	52	14	40	+ 12	+ 12	—
Official contributions	—	—	5	60	- 5	- 60	- 55
All other current transactions	61	90	84	279	- 23	- 189	-166
Total and balance on non-merchandise transactions	270	482	261	874	+ 9	- 392	-401
All countries:							
Gold production available for export	163	162	—	—	+163	+ 162	- 1
Travel expenditures	275	420	226	627	+ 49	- 207	-256
Interest and dividends	91	178	475	669	-384	- 491	-107
Freight and shipping	284	442	301	533	- 17	- 91	- 74
Inheritances and migrants' funds	57	102	61	181	- 4	- 79	- 75
Official contributions	—	—	5	60	- 5	- 60	- 55
All other current transactions	231	420	377	726	-146	- 306	-160
Total and balance on non-merchandise transactions	1,101	1,724	1,445	2,796	-344	-1,072	-728

Gold

The item "gold production available for export", rising to $162 million in 1960 from $148 million in 1959, was close to the level in 1958. Being computed at a different stage, this series does not coincide precisely with mine production which has been less variable. Excluded are changes in stocks such as those held in safe-keeping at the Royal Canadian Mint for the account of mines and those of producers. The item since November 1,

1951 has reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April 1956 have been sales by mines not receiving financial assistance from the Government, to both non-residents and residents for either export or safe-keeping in Canada. The latter change followed removal of the remaining restrictions on the sale of gold in Canada or elsewhere.

Travel Expenditures

A summary showing the trend in totals of international travel expenditures appears in Statement 8. Other comments on the background affecting international travel appear on page 8. And detailed presentations of statistics will be found in the annual publication of the Balance of Payments Section, *Travel Between Canada and Other Countries*, Catalogue No. 66-201, Annual.

In 1960 both receipts and payments rose by similar amounts with the result that the balance of payments remained unchanged at the peak level of $207 million in each of 1959 and 1960. This followed a period of about a decade during which the deficit from these transactions rose substantially in most years. The trend over this period was the result of much larger rises in travel expenditures by Canadians outside of Canada than in receipts from outlays in Canada by travellers from other countries. While Canadian expenditures in both the United States and overseas rose consistently each year during the decade, the rises in United States travel disbursements in Canada were generally more moderate and less consistently upward.

But in both 1959 and 1960 there were substantial rises in United States expenditures in Canada which were greater than the rises in Canadian expenditures in the United States, with the result that the Canadian deficit with the United States was reduced in both recent years, being at $87 million in 1960, only a little higher than in 1956. A further gain occurred in United States expenditures in Canada following a substantial rise in 1959. Most of the rise was in automobile travel, although gains also occurred in expenditures of travellers by bus and aeroplane. In 1960 there was only a small rise in expenditures of Canadian travellers in the United States of some 2 per cent. There were small declines in expenditures of automobile travellers, although the numbers travelling to the United States for longer visits rose slightly. And purchases of merchandise declared under the $100 exemption privilege were also less than in 1959. On the other hand travel to the United States by bus and aeroplane continued to rise while rail travel declined.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948-60

Year	Account with United States			Account with overseas countries			Account with all countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
	millions of dollars								
1948	267	113	+154	12	21	- 9	279	134	+145
1949	267	165	+102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	-121
1956	309	391	- 82	28	107	- 79	337	498	-161
1957	325	403	- 78	38	122	- 84	363	525	-162
1958	309	413	-104	40	129	- 89	349	542	-193
1959	351	448	- 97	40	150	-110	391	598	-207
1960	375	462	- 87	45	165	-120	420	627	-207

The deficit from the overseas travel of Canadians has meanwhile been rising each year and in each of the past two years has made up more than one-half of the total deficits on the travel account. At $120 million in 1960 the deficit from overseas travel was more than six times that in 1950. Canadian travel overseas has been rising in all directions throughout the world. The largest parts of total expenditures of $165 million continued to be in the United Kingdom and Western Europe which made up some four-fifths of the total spent overseas in 1960. But winter travel in the Caribbean and Central America and elsewhere is also rising.

Income Account

Covered in this account are Canada's international receipts and payments of interest and dividends, representing the return on invested capital, as distinct from income derived from service transactions, which constitute a component in the Miscellaneous Current Transactions Account, described later in the text. Net payments of interest and dividends have usually been the largest single contributor to current account deficits, the only exceptions in the past decade being the import balance on merchandise account in 1956 and 1957, the two years significant for the high level of capital expenditure by Canadian business. Receipts of interest and dividends roughly doubled from $70 million in 1946 to $145 million in 1952; and, after a period of considerable irregularity receipts advanced from this level to $182 million in 1959, followed again by a dip to $178 million in 1960. Payments of interest and dividends rose rapidly from $312 million in 1946 to $475 million in 1950, a year when the rate of dividend remittances was unusually high, declined to $404 million in 1953, and then gained steadily to $671 million in 1959. In 1960 the total remained close to this level at $669 million. Although interest payments rose rapidly to a new peak in this latter year the total of dividends remitted was less because of reduced remittances at the close of the year. These were followed however by unusually heavy transfers early in 1961.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-60

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
	millions of dollars														
1946	8	39	101	149	-203	1	6	21	33	-47	13	57	125	187	-242
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	59	107	320	-347	2	12	16	57	-59	38	104	128	395	-381
1957	27	68	129	351	-385	2	8	17	61	-68	44	110	154	435	-435
1958	24	76	153	347	-400	25	7	18	58	-44	63	105	181	431	-444
1959	31	68	179	368	-448	24	11	20	70	-55	70	112	210	461	-489
1960	41	64	205	343	-443	24	10	18	63	-47	78	100	239	430	-491

As commented upon earlier in the text of this report, the relationship between profits and income payments abroad is not nearly as direct and immediate as is sometimes supposed, particularly in the case of subsidiary or other closely held companies. Decisions with respect to the transfer of their earnings are presumably influenced primarily by the relative needs for funds. In the absence of immediate and pressing requirements, conditions in the money and exchange markets assume importance. Other possible determining influences may include effects on the corporation's over-all tax position. These types of consideration are believed to be more important in the subsidiary—parent relationship typical of direct investment than in the public company, whose profit distributions represent a financial disposition of resources and for whose shareholders the relatively stable dividend rate generally has attraction.

As indicated in Statement 9A, the dividend payment practices of direct investment companies have varied considerably over the post-war period. Until the end of 1951 nearly 60 per cent of direct investment earnings were distributed. In the period since that time distributions have averaged about 44 per cent of earnings, and ranged between 39 per cent in 1953 and 1956 and 55 per cent in 1958. This has been below the average for all companies in Canada, which, between 1952 and 1960, paid out about half of earnings.

STATEMENT 9 A. Estimated Total Returns on Foreign Direct Investment in Canada, 1946 - 60

Year	Remitted income	Allowance for withholding tax	Undistributed profits	Total earnings	Percentage of earnings distributed abroad
	millions of dollars				
1946	147	12	120	279	53
1947	183	15	125	323	57
1948	174	14	160	348	50
1949	233	19	155	407	57
1950	309	25	155	489	63
1951	272	23	200	495	55
1952	239	21	310	570	42
1953	220	20	325	565	39
1954	230	21	315	566	41
1955	282	25	365	672	42
1956	310	25	470	805	39
1957	341	23	460	824	41
1958	337	21	260	618	55
1959	365	23	380	768	48
1960	329	21	350[1]	700	47

[1] Tentative estimate.

The ability to make an actual income payment is, of course, closely tied to the liquidity of the company. In general it may be said that, apart from the raising or return of capital, changes in liquidity reflect not only profits, but also the cash flows to the company arising from non-cash charges less the amounts used for capital expenditure and inventory changes. The importance of non-cash outlays as a source of liquidity is apparent from figures included in Canada's National Accounts. In 1960 corporation profits after taxes amounted to $1,750 million while capital consumption allowances (and miscellaneous valuation adjustments) in the corporate sector totalled $2,330 million. Given a high level of cash flows from these charges it is possible for a moderate decline in profits after taxation to be more than compensated for by reductions in capital expenditures, and for moderating economic activity to give rise, under certain conditions, to larger amounts of funds being available for transfer abroad.

Another aspect of this subject which should not be overlooked is the flexibility open to companies to use available excess funds to pay off debts rather than to transfer earnings. When the holder of the debt is also the holder of the equity investment, the economic distinction between the payment of a dividend on the one hand, and the repayment of debt with a simultaneous growth in surplus, on the other hand, has only limited significance. For example, substantial dividend payments abroad during a part of the 30's included withdrawals which were greatly in excess of current earnings, and in this period were, therefore, tantamount to a withdrawal of capital. On the other hand, in recent years there have been substantial repayments of capital to parent companies, which have not represented a reduction of the parent company investment in Canada because there was an offsetting growth in undistributed earnings. The extent to which this practice can occur is, of course, limited by the amount of capital originally supplied in the nominal form of debt. Many motives may lie behind the choice of the original capital structure and the subsequent accounting treatment for transfers of funds. Most of the influences probably lie in the fields of administrative regulation, legal and tax considerations and accounting effects.

Of total dividends of $430 million paid to non-residents in 1960, $321 million, or roughly three-quarters, originated from direct investment and the remainder from portfolio investment in Canada. Figures for dividends on direct investments include net profits earned by unincorporated branches of foreign companies as well as dividends remitted abroad by subsidiaries and other companies in Canada. Dividends on direct investments paid by Canadian public companies controlled abroad include dividends remitted to all shareholders in the country of control, while dividends paid by the same companies to shareholders resident elsewhere abroad are classified as returns on portfolio investments. Inter-company payments of interest on funded debt, amounting to about $8 million in 1960, are embodied in the interest item, while interest on inter-company borrowings and other unfunded forms of debt fall under the miscellaneous income component of the Miscellaneous Current Transactions

Account. Also included with this latter group, rather than in the Income Account, are a significant amount of dividends accruing to non-residents on stocks held in Canada through intermediaries.

Over four-fifths of dividend remittances of $343 million to the United States in 1960 was estimated to be returns on direct investment, and similar proportions for the United Kingdom and the other countries at nearly 50 per cent and 30 per cent, respectively, were much lower. Remittances to the United States represented nearly 90 per cent of total dividends paid abroad on direct investment, and the small payment of interest of $8 million on bonds held by parent companies was also destined for the United States.

Dividends on portfolio investments make up the the remainder of dividend payments by Canadian companies to shareholders resident abroad. For the most part these are amounts declared by public companies on shares held in the names of minority shareholders residing abroad. Income of Canadian companies retained in Canada do not form part of dividend payments on either direct or portfolio investments. All amounts of dividend payments are net of withholding tax paid to the Government of Canada, with the tax rate ranging between zero and 15 per cent.

The bulk of dividend remittances has flowed to the United States, accounting for roughly four-fifths of the total in 1960 and in the other years from the mid-fifties, for 88 per cent in 1950 and for about 80 per cent in 1946. Investors in the United Kingdom received 15 per cent of all dividends remitted outside of Canada in 1960, about this share in each of the other years since 1950, 11 per cent in that year and 18 per cent in 1946.

As shown in Statement 9B found on page 25 of *The Canadian Balance of International Payments, 1959*, somewhat under one-half of dividend payments to the United States in 1958 represented returns on investments in the manufacturing industry, excluding petroleum refining. This proportion exceeded 50 per cent in 1959, when payments to a number of parent companies in the United States were either larger than those in the preceding year or were in contrast to the absence of remittance by the firms in 1958. The share of dividends attributable to manufacturing subsided in 1960 to about the level of 1958, as payments by this group of Canadian subsidiaries were smaller or did not recur in 1960. Mining, together with the integrated petroleum and gas industry, accounted for about one-third of the dividend transfers to the United States in each of the three recent years, while the dividends returned on investment in merchandising, at about 6½ per cent of the total in 1958, were higher than in the two succeeding years, due to a number of extraordinary dividend payments; and similarly the proportion remitted by financial institutions was higher in 1959 than in the preceeding or following year.

Of total dividends remitted to the United Kingdom, the proportion derived from manufacturing declined from nearly one-half in 1949 to about 40 per cent in 1958 and 1960. A 20 per cent rise in dividend payments to this country in 1959 was ascribable in the main to extraordinary transfers of profits in merchandising and to some dividend payments, which occurred only in that year. With $24 million, the utilities and financial institutions accounted for another 40 per cent of the dividends remitted to the United Kingdom in 1958, and payments arising from these industries in the two ensuing years stood at about the same absolute level.

In recent years the total of interest paid on Canadian bonds and debentures owned outside of Canada has increased rapidly to new levels higher than ever before due mainly to the large sales of new issues of bonds in the United States during the past half decade. The total interest paid abroad has almost doubled since 1955 and payments of $239 million in 1960 compare with $180 million in 1931, the largest total in the interwar period. Payments were reduced from that earlier peak by retirements and refinancing during the 1930's, and by the large wartime repatriations of bonds held in the United Kingdom, followed by further retirements in the early post-war years.

At $125 million in 1946, interest represented 40 per cent of total interest and dividends paid abroad in that year. The total declined to $104 million in 1949, then tended upwards in the mid-fifties to about $130 million, which accounted for under 30 per cent of investment income payments. A higher rate of increase started in 1957 when interest remittances advanced 20 per cent and continued to rise at high rates thereafter, although two percentage points lower each successive year. These payments amounted in 1960 to $239 million, or 14 per cent greater than in 1959, and accounted for 36 per cent of interest and dividend remittances, as the latter class of payments was lower in 1960.

As indicated in Statement 9B, very large increases have occurred in interest payments to non-residents by provinces, municipalities and corporations. The share of interest originating from the bonds and debentures of corporations, other than railways, doubled from 20 per cent in 1946 to 40 per cent in 1960. Over the same period, the share of interest on the bonds of the two lower levels of government rose from 30 per cent to nearly 45 per cent, while that on "Canadas" fell from 24 per cent to 10 per cent, and the proportionate share of total interest payments associated with railway bonds likewise declined from 25 per cent to about 6 per cent.

STATEMENT 9B. Interest Payments on Canadian Bonds and Debentures Held Abroad, by Groups of Issues and Currency of Payment, Selected Years

	United States				United Kingdom				Total outside of Canada			
	1946	1955	1959	1960	1946	1955	1959	1960	1946	1955	1959	1960
	millions of dollars											
Government of Canada[1]	29	14	14	14	—	1	2	2	30	17	20	23
Provincial[1]	23	32	48	61	2	2	2	2	25	34	51	64
Municipal	9	15	32	40	4	1	1	1	13	16	34	42
Railway	20	9	5	6	11	7	8	6	32	17	14	14
Other corporation	20	37	80	84	4	5	7	7	25	43	91	96
Total interest paid to non-residents	**101**	**107**	**179**	**205**	**21**	**16**	**20**	**18**	**125**	**127**	**210**	**239**
Payable in Canadian dollars	..	21	35	41	..	7	12	12	22	31	56	64
Payable in foreign currencies	..	61	129	150	..	8	7	6	103	69	138	160
Payable optionally in Canadian or foreign currencies	..	25	15	14	..	1	1	—		27	16	15

[1] Including guaranteed issues other than railways.

In the years prior to World War II, investors in the United Kingdom received about 40 per cent of interest paid by Canada, and those in the United States almost all the remainder. However, on account of the large repatriations of bonds in the war period, the share of Canadian interest destined for the United Kingdom dropped below 20 per cent in 1946, and most of this reduction pertained to the Government of Canada bonds and the funded debt of the railways. As seen from Statement 9B, interest paid to the United Kingdom continued to decline, to less than 10 per cent of payments to all non-residents in 1960, but almost counterbalancing gains took place in interest payments to the United States, which represented about 85 per cent of total interest remittances in 1960. More than this proportion went to the United States in all groups of issues, except the railways and the "Canadas".

With a substantial increase of 65 per cent in interest payments abroad from $127 million in 1955 to $239 million in 1960, the proportions, however, between payments in Canadian funds and payments solely or optionally in foreign currency did not change materially—the latter group representing 75 per cent in 1955 and 73 per cent in 1960. Payments in Canadian currency increased from 25 per cent to 27 per cent, those in foreign funds rose from 54 per cent to 67 per cent, while those paid optionally in Canadian or foreign currency dropped from 21 per cent to 6 per cent. A recent significant development has been the change in the exchange rate of the Canadian dollar from a premium to a discount in the third quarter of 1961. The discount of about 3 per cent prevailing during the last half of 1961, if applied for a full year to the level and composition of interest payments to non-residents in 1960, would have increased them by about $10 million.

In contrast to the extensive growth, already described, in payments abroad of interest, which almost doubled since 1953, and of dividends, which increased half as much again, receipts of both interest and dividends hardly changed between 1953 and 1960, although the former dipped until 1956 before recovering. The temporary suspension of servicing of the official loan by the United Kingdom accounted for reduced receipts of interest in 1956 and 1957, but the interest payments were resumed in 1958. The increase therefore in receipts in the most recent years has been attributable to other interest, principally earnings of the Exchange Fund Account. At $63 million, interest receipts represented 38 per cent of total interest and dividend receipts in 1953, at $38 million, 27 per cent of the 1956 total; and interest receipts were estimated at $78 million in 1960, which accounted for 44 per cent of total income receipts.

Freight and Shipping Transactions

The deficit on freight and shipping account contracted as receipts rose more than payments, but at $91 million it was greater than in any earlier year except that of $105 million in 1959. While this change was to some extent a reflection of the reduction in the import balance on merchandise account, the change was also affected by increased earnings by Canadian operators of chartered vessels in the carriage of exports from Canada to overseas. There was consequently a surplus of $13 million with overseas countries compared with a deficit in 1959, but the deficit with the United States was larger at $104 million.

Total payments on freight and shipping account were slightly higher than in 1959. Reductions in inland freight charges on a reduced volume of some imports from the United States were more than offset by further increases in payments for ocean freight to foreign operators on imports from overseas and some higher payments by Canadian operators for time charters and other expenses in foreign ports.

The larger receipts on freight and shipping account were from inland freight on rising exports to overseas countries, increased earnings on export traffic by Canadian operators of foreign ships, and higher port expenditures in Canada by overseas operated vessels.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1953-60

Item	1953	1954	1955	1956	1957	1958	1959	1960
	millions of dollars							
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	58	61	78	76	69	65	59	75
Charter receipts	7	3	9	20	21	9	4	3
Revenues between foreign ports	17	18	28	40	38	29	29	25
Sub-totals	82	82	115	136	128	103	92	103
Expenditures of foreign ships in Canada	41	35	45	48	44	43	48	55
Gross shipping receipts	**123**	**117**	**160**	**184**	**172**	**146**	**140**	**158**
Inland freight on exports	161	159	185	204	194	190	201	207
Intransit revenues	29	29	32	33	38	37	40	38
Other receipts	5	8	21	36	41	28	39	39
Gross receipts (Table 1, item A 6)	**318**	**313**	**398**	**457**	**445**	**401**	**420**	**442**
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	60	67	95	104	113	96	107	114
Freight on imports via Canadian ports	75	66	77	105	108	113	146	157
Gross shipping payments	**135**	**133**	**172**	**209**	**221**	**209**	**253**	**271**
Inland rail freight in U.S. on imports:								
Coal via vessel	48	39	40	53	50	34	36	35
Coal via rail	26	22	20	25	16	13	12	8
Other rail freight	121	112	121	143	142	114	121	110
Sub-totals	195	173	181	221	208	161	169	153
Miscellaneous payments	44	50	62	72	86	90	103	109
Gross payments (Table 1, item B 6)	**374**	**356**	**415**	**502**	**515**	**460**	**525**	**533**

Inheritances and Migrants' Funds

After 1953, when receipts and payments of inheritances and migrants' funds were equal, small net payments developed, and grew to $33 million in 1957 although in that year the post-war peak of immigration occurred. Of over 282,000 immigrants landing in Canada in 1957, nearly 40 per cent arrived from the United Kingdom, a slightly smaller proportion from the OEEC countries, 4 per cent from the United States, and 20 per cent from the remaining countries. The deficit on this account widened half as much again in 1958, and continued to increase in 1959 and 1960, when payments exceeded receipts of migrants' funds by $79 million. These larger deficits in the most recent years were derived from a sharply reduced inflow of immigrants, who numbered somewhat over 104,000 persons in 1960, growing migration of Canadians to the United States, offset in part by higher per capita immigrants' funds and by a rise in legacy receipts after the removal by the United Kingdom authorities in 1959 of restrictions on the transfer of legacies abroad.

Miscellaneous Current Transactions

The deficit from miscellaneous current transactions, which increased at an average annual rate of about 8 per cent from $140 million in 1952 to $185 million in 1956 (as shown in Statement 11), soared 66 per cent in 1957, and rose a further 19 per cent to $368 million in 1958, but steadied at this level in the following two years. The imbalance of $366 million for 1960 was more than 2½ times as large as that for 1952 and nearly double the 1956 deficit. Because of even sharper gains, however, in deficits on other "invisible" items, the share of the total non-merchandise deficit covered by miscellaneous current transactions declined from 43 per cent in 1952 to 29 per cent in 1956 and 34 per cent in 1960. The upward shift in the deficit on miscellaneous current transactions was attributable mainly to the change from a positive to a negative balance in government transactions in 1958, augmented official contributions and increasing net payments for business services, personal and institutional remittances.

After a fairly steady advance from $16 million in 1952, official contributions reached their recent peak level of $72 million in 1959, but were down to $60 million in the following year. The total of capital aid, other goods shipped under the Colombo Plan, and technical assistance has been valued annually at about $40 million in the four years since 1957. The relief shipments of wheat to India and Pakistan in 1958 and 1959 were the unusual element that raised the total of official contributions in those years. Although donations of wheat to Asian countries were less in 1960, there were larger gifts of some other commodities. These included

wheat flour to mark the end of the World Refugee Year and for setting up NATO food banks in the United Kingdom and Norway, milk powder to international agencies such as the United Nations Children's Fund and the United Nations Relief and Works Agency for Palestine Refugees, and other gifts of food commodities for earthquake and general relief.

The shift in 1958 from a positive to a negative balance in government transactions arose mainly from a combination of two factors. The more important of these, as indicated by the detailed figures in Statement 11A, was the occurrence in 1958 of the last of several sharp downward steps, before levelling off, in expenditures by the United States authorities for defence construction in Canada; and the other was the payment by the Canadian Government of substantial refunds of a non-recurring nature for tax previously withheld.

In a comparison of 1952 and 1960, government receipts, from each of the three areas shown in Statements 11 and 11A, did not change materially in total, but receipts from the United States for construction and other defence purposes were considerably less than in the peak years 1955 and 1956 when the Dew Line construction activity was concentrated. Receipts from other governments for aircrew training in Canada represented a substantial addition to receipts from Other Countries in 1958.

Larger gains in government payments were recorded to the United States, United Kingdom and, in particular, to the other countries group between 1952 and 1960. About one-half of government expenditures in the United States and United Kingdom was related to defence activities and more than four-fifths in the OEEC countries, an important component of the other countries group. Over all, defence spending represented a little under two-thirds of total government payments abroad in 1959 and 1960.

About 60 per cent of these defence expenditures has been made in the OEEC countries to finance contributions to the collective defence and deterrent forces of the North Atlantic Treaty Organization. Canada's share has comprised the maintenance in Europe of an army brigade group and an air division and the provision of financial contributions for the budgets of the NATO military headquarters, international staff secretariat, and common infrastructure programmes.

Infrastructure denotes fixed installations which are necessary for the deployment of the armed forces but which by their nature cannot be considered to be primarily the responsibility of any one nation of the alliance to provide. Examples include airfields, naval base and fleet facilities, fuel pipelines and storage, radar warning installations, navigational aids and telecommunications and military headquarters. The Canadian Government meets the cost of accommodating its personnel as well as the cost of facilities over and above the standards of the Supreme Headquarters, Allied Powers in Europe. There has also been the Canadian share of the cost of maintaining the United Nations Emergency Force in Egypt and also of contributing much smaller groups of service personnel to truce commissions in several parts of the world.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-60

All countries	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change 1952-1960
	millions of dollars									
Receipts:										
Government transactions	122	149	118	192	219	160	123	131	124	+ 2
Personal and institutional remittances	20	22	22	22	23	24	24	24	24	+ 4
Miscellaneous income	31	30	33	40	54	55	71	71	93	+ 62
Business services and other transactions	108	118	125	137	146	149	157	166	179	+ 71
Totals (Table 1, item A 11)	**281**	**319**	**298**	**391**	**442**	**388**	**375**	**392**	**420**	**+139**
Payments:										
Official contributions	16	25	11	24	30	40	53	72	60	+ 44
Government transactions, n.o.p.	71	128	112	131	139	150	161	135	160	+ 89
Personal and institutional remittances	50	55	65	71	79	83	85	95	97	+ 47
Miscellaneous income	39	35	37	47	64	93	101	115	116	+ 77
Business services and other transactions	245	247	265	280	315	330	343	348	353	+108
Totals (Table 1, items B 9, 11)	**421**	**490**	**490**	**553**	**627**	**696**	**743**	**765**	**786**	**+365**
Net payments:										
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 60	- 44
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	- 38	- 4	- 36	- 87
Personal and institutional remittances	- 30	- 33	- 43	- 49	- 56	- 59	- 61	- 71	- 73	- 43
Miscellaneous income	- 8	- 5	- 4	- 7	- 10	- 38	- 30	- 44	- 23	- 15
Business services and other transactions	-137	-129	-140	-143	-169	-181	-186	-182	-174	- 37
Totals	**-140**	**-171**	**-192**	**-162**	**-185**	**-308**	**-368**	**-373**	**-366**	**-226**

STATEMENT 11 A. Miscellaneous Current Transactions with All Countries, 1952 - 60

	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change 1952 - 60
	millions of dollars									
United States										
Receipts:										
Government transactions	108	130	98	169	194	133	93	111	101	- 7
Personal and institutional remittances	16	17	17	18	18	18	18	18	18	+ 2
Miscellaneous income	21	19	23	28	35	43	57	62	84	+ 63
Business services and other transactions	79	87	95	103	107	109	112	120	127	+ 48
Totals (Table 1, item A 11)	**224**	**253**	**233**	**318**	**354**	**303**	**280**	**311**	**330**	**+106**
Payments:										
Official contributions	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	20	25	32	30	24	28	30	29	38	+ 18
Personal and institutional remittances	19	21	22	24	27	28	29	32	32	+ 13
Miscellaneous income	26	24	25	33	44	71	80	81	80	+ 54
Business services and other transactions	224	220	233	245	275	286	293	297	297	+ 73
Totals (Table 1, items B 9, 11)	**289**	**290**	**312**	**332**	**370**	**413**	**432**	**439**	**447**	**+158**
Net payments:										
Official contributions	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	+ 88	+105	+ 66	+139	+170	+105	+ 63	+ 82	+ 63	- 25
Personal and institutional remittances	- 3	- 4	- 5	- 6	- 9	- 10	- 11	- 14	- 14	- 11
Miscellaneous income	- 5	- 5	- 2	- 5	- 9	- 28	- 23	- 19	+ 4	+ 9
Business services and other transactions	-145	-133	-138	-142	-168	-177	-181	-177	-170	- 25
Totals	**- 65**	**- 37**	**- 79**	**- 14**	**- 16**	**-110**	**-152**	**-128**	**-117**	**- 52**
United Kingdom										
Receipts:										
Government transactions	8	9	11	12	12	11	9	8	13	+ 5
Personal and institutional remittances	2	2	2	2	2	2	2	2	2	—
Miscellaneous income	5	5	5	5	10	6	7	4	5	—
Business services and other transactions	19	21	18	20	23	22	25	29	30	+ 11
Totals (Table 1, item A 11)	**34**	**37**	**36**	**39**	**47**	**41**	**43**	**43**	**50**	**+ 16**
Payments:										
Official contributions	—	—	—	—	—	—	—	—	3	+ 3
Government transactions, n.o.p.	22	62	30	26	33	39	45	34	36	+ 14
Personal and institutional remittances	8	9	12	13	14	15	16	18	19	+ 11
Miscellaneous income	8	7	7	7	8	8	7	8	9	+ 1
Business services and other transactions	12	14	18	20	23	24	27	29	33	+ 21
Totals (Table 1, items B 9, 11)	**50**	**92**	**67**	**66**	**78**	**86**	**95**	**89**	**100**	**+ 50**
Net payments:										
Official contributions	—	—	—	—	—	—	—	—	- 3	- 3
Government transactions, n.o.p.	- 14	- 53	- 19	- 14	- 21	- 28	- 36	- 26	- 23	- 9
Business and institutional remittances	- 6	- 7	- 10	- 11	- 12	- 13	- 14	- 16	- 17	- 11
Miscellaneous income	- 3	- 2	- 2	- 2	+ 2	- 2	—	- 4	- 4	- 1
Business services and other transactions	+ 7	+ 7	—	—	—	- 2	- 2	—	- 3	- 10
Totals	**- 16**	**- 55**	**- 31**	**- 27**	**- 31**	**- 45**	**- 52**	**- 46**	**- 50**	**- 34**
Other countries										
Receipts:										
Government transactions	6	10	9	11	13	16	21	12	10	+ 4
Personal and institutional remittances	2	3	3	2	3	4	4	4	4	+ 2
Miscellaneous income	5	6	5	7	9	6	7	5	4	- 1
Business services and other transactions	10	10	12	14	16	18	20	17	22	+ 12
Totals	**23**	**29**	**29**	**34**	**41**	**44**	**52**	**38**	**40**	**+ 17**
Payments:										
Official contributions	16	25	11	24	30	40	53	72	57	+ 41
Government transactions, n.o.p.	29	41	50	75	82	83	86	72	86	+ 57
Personal and institutional remittances	23	25	31	34	38	40	40	45	46	+ 23
Miscellaneous income	5	4	5	7	12	14	14	26	27	+ 22
Business services and other transactions	9	13	14	15	17	20	23	22	23	+ 14
Totals	**82**	**108**	**111**	**155**	**179**	**197**	**216**	**237**	**239**	**+157**
Net payments:										
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 57	- 41
Government transactions, n.o.p.	- 23	- 31	- 41	- 64	- 69	- 67	- 65	- 60	- 76	- 53
Personal and institutional remittances	- 21	- 22	- 28	- 32	- 35	- 36	- 36	- 41	- 42	- 21
Miscellaneous income	—	+ 2	—	—	- 3	- 8	- 7	- 21	- 23	- 23
Business services and other transactions	+ 1	- 3	- 2	- 1	- 1	- 2	- 3	- 5	- 1	- 2
Totals	**- 59**	**- 79**	**- 82**	**-121**	**-138**	**-153**	**-164**	**-199**	**-199**	**-140**

Among expenditures of civilian departments are included items such as the cost of maintaining Canadian diplomatic, trade and other departmental representations abroad, government advertising, budgetary contributions to the United Nations and and its Specialized Agencies and to international commissions, remittances of military and social security pensions abroad, payments for international transportation of mail and parcels and for infrequent acquisition of official property.

Canada's contribution of Mutual Aid to NATO countries is in addition to the foregoing government expenditures, but because of the special character of the military assistance, it is not reflected in the current balances. Equal amounts are entered in the annual statements of current account with all countries: on the receipt side to cover the export of goods and services provided as Mutual Aid and on the payment side to represent the contributions. These exports do not appear in totals in regular statistics of Canada's trade with NATO partners, nor in the balance of payments statements with individual countries or groups of countries. During the 11 years since the inception in 1950, Mutual Aid to NATO countries totalled over $1,650 million, with contributions in the terminal years being $57 million in 1950 and $43 million in 1960. An amount of over $950 million, or nearly 60 per cent of the aid total, was, however, dispensed in the 4-year period 1952 to 1955, inclusive, when transfers of equipment from existing service stocks and some transfers from new production were the heaviest, and when aircrew training in Canada for other NATO countries was at the peak level of activity. Mutual Aid transfers included armament, explosives, ammunition, vehicles, radar and communication sets, minesweepers, a large number of Sabre jet fighter aircraft, Harvard trainer aircraft and Otter aircraft, spare parts and engines, etc. With, however, the progressive re-armament of the defence forces of Canada's allies and the build-up of their own aircrew training programmes, transfers of equipment and aircrew training in Canada tapered off after 1956, and only the contributions to infrastructure and NATO budgets have been maintained at about the same level in recent years.

Among some of the underlying influences behind the growth from $137 million in 1952 to $174 million in 1960 in the deficit from business services and other transactions has been the non-resident participation in Canada's vigorous resource development, particularly after the middle of the decade. Non-resident investment has sought out avenues such as petroleum exploration and drilling, construction of oil and natural gas transmission lines and widespread expansion of manufacturing facilities. This extension of international direct investment and the varied investment programmes emanating from them have led to the spreading of corporate relationships between Canada, United States, United Kingdom and Europe, and have been accompanied by a large international exchange of business services. Between 1952 and 1960, payments by Canada for services have been expanded more than receipts, partly reflecting the greater growth in non-resident direct investment in Canada than in Canadian direct investment abroad. Concomitant, however, with the hesitant tempo of business activity in Canada in the most recent years, the rate of increase in payments for business services has slowed down while receipts have maintained a modest rate of gain; thus the preliminary 1960 estimate of $174 million for the deficit from these transactions was under the level of $186 million for 1958. The proportionate contribution of business services to the deficit from all "miscellaneous current transactions", which stood at 98 per cent and 91 per cent, respectively, in 1952 and 1956, when net receipts on government account were substantial, fell to 59 per cent in 1957 and to 48 per cent in 1960. At about 71 per cent in 1960, the proportion from the United States of total receipts for business services was lower than in earlier years, and the proportion of payments to the United States at 84 per cent of total remittances for business services in 1960 was also reduced from 1952.

The range of specific items covered in this group of transactions is extensive, but may broadly be classified as business, professional and personal services. Further, some of the largest components, particularly on the payments side, are transactions between non-resident head offices and their branches, subsidiaries and other direct investment affiliates in Canada. Large elements of cost for initial investment represent fees for non-resident design, engineering, consulting and other services for industrial techniques and processes, and in some cases, rental of special equipment and machinery. Subsequently in the operational phase, there are usually appreciable fees for royalties, management, and apportionment of non-resident head office expenses, such as accounting, advertising and research. These payments to head offices outside Canada have risen proportionately from about one-fourth in 1952 to over two-fifths of all business service payments in 1960, and totalled nearly $150 million in the latter year.

There is also a wide variety of payments and receipts for services between unaffiliated enterprises and persons in Canada and abroad for the growing exchange of commercial, financial and professional services, which form integral parts of Canada's business life. Included are items such as licensing fees for manufacturing patents, processes and trade-marks, franchises, authors' and composers' royalties, copyrights, royalties for master recordings, syndicated features and cartoons, commissions and fees for legal, accounting and management and for other consulting and professional services. Rentals of foreign films, expenditures of international airlines and other transportation payments not embodied in the freight and shipping account are some additional examples of importance included among business service transactions. Also covered in this account are estimates of earnings of migrant labour and international commuters, remittances for international sweepstakes, and trade union transfers.

Net payments on account of personal and institutional remittances continued to increase in 1960, when the deficit from this source was estimated at $73 million. Personal remittances comprise non-commercial payments between Canadian residents and individuals resident abroad, and institutional remittances originate from charitable, religious and educational organizations. While this class of receipts has gained only slightly, payments have almost doubled between 1952 and 1960, when the total amounted to $97 million. Elements in the growth of personal remittances have been the substantial arrival of immigrants, who numbered over 2 million persons from 1946 until the end of 1960 (with more than two-thirds of the inflow occurring since 1952), and the steady advance in the total earnings of Canadian paid workers. In reflection in part of the origin of a large proportion of the immigrants from areas such as Western and Eastern Europe, Hong Kong, China and Australia, about one-half of the $47 million increase in the remittances since 1952 took place to countries other than the United States and the United Kingdom. Some part of the 1960 increase in remittances was attributable to the efforts of private groups in Canada in support of the World Refugee Year to collect funds for activities such as refugee camp clearance in Europe and the establishment of vocational training centres for Arab refugees in the Middle East.

Representing the service on capital, about 70 per cent of receipts and 85 per cent of payments of income on investment in recent years have been embodied in the Interest and Dividends Account. Included with the Miscellaneous Income item of the Miscellaneous Current Transactions Account are the other transfers of income or profits, such as from branch operations of banks and insurance companies; interest on inter-company loans, mortgages, savings balances and treasury bills; and rentals and fiduciary income from the administration of estates, trust and agencies. Net payments of miscellaneous income, which had not been larger than $10 million until 1956, shifted up sharply in the following year, due to higher remittances, particularly of insurance company profits and interest on inter-company loans, and stood in 1959 at $44 million, before declining to $23 million in 1960. To yield this last deficit, a three-fold increase was recorded since 1952 both for receipts to $93 million and for payments to $116 million in 1960. In this year roughly four-fifths of the receipts was represented by transfers of profits of financial institutions, and about the same proportion of payments was made up of interest on inter-company borrowings, income from assets managed or administered by trust and loan companies and other financial intermediaries, and profits of insurance companies.

These profits of insurance companies represent for the most part transfers of net underwriting profits from branch operations including earnings on the employment of shareholders' capital and surplus, if any, but they also cover in some cases the provision of services by head office departments. Income from premium collections, reinsurance and claims is covered in the Business Services item. Since it is the usual practice of insurance companies to invest reserves in the country of risk, international transfers of premiums and claims are not large and tend to be offsetting.

CAPITAL MOVEMENTS

Background and Summary

The year 1960 has been described as being for the Canadian economy one of special complexity. A high level of economic activity was continued; on the other hand there was also a substantial amount of unused capacity, human and material.[1] Among the broad developments against which the movement of capital to and from Canada in 1960 must be viewed were the dismantling of direct controls in many other parts of the world on the international movement of goods and capital, and the further extension in Canada and abroad of effective money markets introducing new flexibilities and fluidities into domestic and international financial relationships.

Against this background Canada continued to draw heavily on the physical and financial resources of the rest of the world in 1960, although the net import of $1,217 million of capital was somewhat reduced from the record level of 1959. Movements of capital in long-term forms[2] were also smaller than in 1959, amounting to $873 million in 1960 compared with $1,089 million in the previous year. These amounts were each equal to 72 per cent of the respective current account deficits, proportions which were smaller than in the earlier post-war years in which Canada incurred current account deficits with the single exception of 1955.

Government financing played a very much smaller role in Canadian capital movements in 1960 than in many recent years. As shown in Statement 11B capital inflows taking the form of increases in the net external long-term debt of the various levels of government in Canada fell sharply and were at their lowest level in five years. Net inflows in other long-term forms, mainly business investment, were substantially unchanged although well below the very high levels the order of one billion dollars established in 1956 and 1957. Capital inflows in other forms were somewhat smaller in amount than in 1959 but made up a somewhat larger proportion of the total capital movement.

[1] Economic Review of 1960 included in the Budget Papers presented in connection with the Budget of 1961-62 (reprinted with the official report of *House of Commons Debates, June 20, 1961).*

[2] Direct investment, portfolio stocks and bonds, official loans, and other long-term investments.

STATEMENT 11 B. Changing Character of Capital Movements, 1955-60

	1955	1956	1957	1958	1959	1960	1955	1956	1957	1958	1959	1960
	millions of dollars						percentage					
Transactions with non-residents affecting:												
Net external long-term debt of Canadian governments[1]	−173	291	217	323	461	198	−25	21	15	29	31	16
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	713	722	88	79	76	65	47	60
Canadian long-term investments abroad excluding investments by governments (increase, −)	− 80	−102	−62	−45	−113	−105	−11	−7	−4	−4	−8	−9
Other external liabilities, net	337	95	196	119	443	402	48	7	13	10	30	33
Total capital inflow	**698**	**1,366**	**1,455**	**1,131**	**1,504**	**1,217**	**100**	**100**	**100**	**100**	**100**	**100**

[1] Increase in holdings by non-residents of Government of Canada, provincial and municipal bonds, less net repayments on intergovernmental loans and subscriptions in gold and foreign currencies to international financial organizations.

Turning to the more conventional groupings of capital movements, it may be noted that the net inflow of foreign capital for direct investment in foreign-controlled concerns in Canada totalled a record $645 million, and transactions in portfolio Canadian securities led to a further inflow of $246 million. These two groups of transactions added $891 million to Canadian external liabilities in long-term forms. In 1959 direct investment added $550 million and Canadian securities $650 million, a total of $1,200 million. On the long-term asset side in 1960 there were outflows of $85 million for Canadian direct investment abroad, $20 million for the purchase of foreign securities, and $3 million for subscriptions in foreign exchange to international financial agencies, which were partially offset by repayments of $32 million on post-war loans extended by Canada to overseas countries. This net outflow of capital in long-term forms amounting to $76 million compared with a net outflow of $139 million in 1959 which included a gold payment of $59 million to the International Monetary Fund.

Geographically, about 78 per cent of the net capital inflow in long-term forms during 1960 was supplied by the United States. In 1959, the proportion was about 84 per cent. (Neither of these calculations takes into account, as a capital movement with the United States, Canada's subscription payments in gold or United States dollars to international financial agencies, which would have the effect of reducing the 1959 figure to 78 per cent.) Changes in statistical classifications referred to later had the effect of reducing somewhat in 1960 proportions attributed to the United States and increasing correspondingly the proportions from other areas. The United Kingdom provided about 10 per cent of the long-term net inflow during 1960 compared with 9 per cent in the earlier year. The share of other overseas countries was unchanged amounting to 12 per cent in both 1959 and 1960. In the case of both the United Kingdom and other overseas countries, direct investment inflows were higher but inflows of portfolio capital fell sharply.

Transactions in the long-term forms described above, together with those appearing in Statement 15, led to a net capital import of $873 million in 1960 compared with $1,089 million in 1959. Including changes in Canadian dollar holdings of non-residents, and in official holdings of gold and foreign exchange, other capital movements led to a net inflow of $344 million in 1960 and $415 million in 1959.

Over the post-war period as a whole inflows in long-term forms have been equivalent to all but three per cent of the net current account deficit. The correlation between current account deficits and capital inflows in long-term forms was less marked through 1960 than has been the case for many years past. For the first time in the ten years of current account deficit covered by official quarterly estimates, the proportion of capital inflows in long-term forms which occurred in the first half of the year was greater than the proportion of the current account deficit incurred. About 75 per cent of the inflows in long-term forms occurred in the first half when 65 per cent of the deficit was experienced. In the final quarter of the year these capital inflows were equivalent to only 21 per cent of the deficit; 7 per cent of the inflows occurred in this period, but 25 per cent of the deficit.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1960 amounted to $645 million. This is $95 million higher than in 1959 and slightly over $60 million above the largest figure recorded previously.

While an appreciable amount of this inflow was directed to the acquisition by non-residents of existing concerns and interests, it does not appear to have been any larger than in 1959. A few large transactions of this sort are important in the totals, and many small concerns were also acquired by hon-residents, while there were some significant transfers in the opposite direction. During 1960 public announcement was made of plans for a number of mergers or other important corporate changes, some of which would give rise to non-resident control of concerns previously controlled by residents of Canada. Not all of these arrangements had been consumated at the year-end, nor would all of them involve international movements of capital.

The inference that most of the increase of over 17 per cent in the net movement into Canada in 1960 of foreign direct investment capital was for new investment or the provision of working capital stands out sharply against a level of business gross fixed capital formation taking the form of new non-residential construction and new machinery and equipment which was practically unchanged from the previous year.

Although investments in many hundreds of enterprises contribute to these totals, inflows for investment in a relatively few major enterprises account for a very large part. This tendency has been rising. The eight largest elements accounted for 42 per cent of net direct investment inflows in 1958, 48 per cent in 1959, and 59 per cent in 1960. The substantial increase in direct investment inflows noted in 1960 was more than accounted for by these large investments.

Net inflows from the United States rose by 3 per cent, or $13 million, to $437 million in 1960. Those from the United Kingdom rose by 37 per cent, or $32 million, to total $119 million. The sharpest increase occurred in respect of direct investment inflows from other overseas countries which more than doubled, rising from $39 million in 1959 to $89 million in 1960. It should be noted, however, that a substantial part, perhaps half, of the increase in inflows from the United Kingdom and other overseas countries arose from a new statistical treatment adopted in 1960 in respect of a group of internationally owned oil companies to more closely correspond with their ultimate corporate ownership, and that this change resulted in a correspondingly smaller capital inflow being recorded from the United States in 1960 than would have been shown on the basis followed in 1959. Geographically in 1960, 68 per cent of the net movement was from the United States, 18 per cent from the United Kingdom, and 14 per cent from other overseas countries.

Industrially, on balance, almost all the increase in direct investment inflows was accounted for by the mining and smelting industry. The petroleum and natural gas industry also received much larger amounts than in 1959, but there was a considerable decline in the net inflow into manufacturing.

The largest part of the net inflow for direct investment, probably amounting to two-fifths of the total was directed to the petroleum and natural gas industry. This was a somewhat higher proportion than in 1959, and is of course much larger in absolute terms. Most of the funds were directed to exploration and development and to production facilities. A significant part of the increase covered the acquisition of resident-owned enterprises. The financing of transportation and distribution systems for natural gas was not in relative terms an important factor.

Mining concerns received nearly one-third of the net movement compared with about a fifth of the smaller total in 1959. Iron ore projects and ancillary facilities made up the largest part.

On the other hand net inflows to manufacturing fell to about half the level of 1959, and accounted for about a tenth of the total movement compared with about a quarter in 1960. There was an increased inflow to pulp and paper companies which was more than offset by a decline in the inflow to other manufacturing concerns. The largest part of the decline is explained by a reduction in the inflows of foreign capital for the acquisition of existing Canadian interests, but there was also evident a somewhat higher repayment of capital from continuing foreign direct investments in Canada.

Other significant inflows occurred for investment in financial concerns, real estate, etc.

There was some tendency for inflows of direct investment capital to be larger in the early part of the year. To a considerable extent, although not wholly, this arose from the timing of special transactions involving the acquisition of existing assets.

The industrial distribution of movements of capital for United States direct investment in Canada is given as usual in Statement 12 and 12A. These show that about 85 per cent of the net inflow of United States capital for direct investment in Canada in 1960 was directed to the petroleum and natural gas industry and mining, compared with about 65 per cent in 1959. It should be borne in mind, however, that the non-resident acquisition of existing concerns although about equal in the two years was more heavily concentrated in other industries in the earlier year, while on the other hand the change in statistical treatment referred to earlier reduced the amount of inflows in 1960 to the petroleum and natural gas industry attributed to the United States. The net amounts of inflow to these industries were $375 million in 1960 and $272 million in 1959, the increase being practically all accounted for by mining. (The increase in gross inflows was somewhat smaller). There was a sharp change in the net movement of United States direct investment capital to manufacturing which fell from $99 million to $24 million, mainly reflecting reduced acquisitions of existing interests. Net inflows of $38 million to all other industrial groups were down from $53 million in 1959.

STATEMENT 12. United States Direct Investment in Canada, 1946 - 60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960[p]	1946 - 60[1]
	millions of dollars									
Gross inflows of new capital:										
Petroleum and natural gas industry[2] ..	178	172	187	195	243	260	217	196	189	2,189
Mining, n.i.e.	98	104	66	60	63	78	79	138	218	988
Pulp and paper	7	1	23	35	42	48	16	18	29	307
Manufacturing, n.i.e.	71	52	41	77	108	111	91	153	82	
Utilities, n.i.e.	2	6	2	9	2	3	3	4	14	
Merchandising, n.i.e.	5	31	9	21	16	27	11	33	19	1,597
Financial	1	13	15	17	16	21	5	31	21	
Miscellaneous	2	4	7	9	16	17	14	15	20	
Sub-totals	**364**	**383**	**350**	**423**	**506**	**565**	**436**	**588**	**592**	**5,081**
Return of capital	45	37	62	117	100	175	133	164	155	1,151
Net capital inflow for direct investment (Table I, item D 1)	319	346	288	306	406	390	303	424	437	3,930
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises[3]	135	- 3	36	63	269	240	170	110	90	1,120
Net capital inflow	**454**	**343**	**324**	**369**	**675**	**630**	**473**	**534**	**527**	**5,050**
Undistributed earnings and other factors including revaluations, reclassifications, and similar accounting adjustments	180[4]	333	257	357[4]	204[4]	450	100	333	186[4,5]	3,271
Net increase in book value — Table X (B)	**634**	**676**	**581**	**726**	**879**	**1,080**	**573**	**867**	**713**	**8,321**

[1] For annual detail 1946 to 1951 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".
[2] Exploration, development, refining, transportation, distribution and marketing.
[3] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[4] This figure is affected by unusually large reclassifications between United States direct and other investments.
[5] Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross business fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12A. Additional Detail of United States Direct Investment in Canada, 1959 and 1960

Industry	1959					1960[p]				
	Direct investment transactions			Other capital movements[1]	Net capital inflow	Direct investment transactions			Other capital movements[1]	Net capital inflow
	Inflows	Outflows (-)	Net inflow			Inflows	Outflows (-)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry[2]	196	- 31	165	19	184	189	- 20	169	-16	153
Mining, n.i.e.	138	- 31	107	45	152	218	- 12	206	23	229
Pulp and paper	18	- 24	- 6	- 1	- 7	29	- 9	20	17	37
Manufacturing, n.i.e.	153	- 48	105	12	117	82	- 78	4	- 8	- 4
Utilities, n.i.e.	4	- 1	3	- 8	- 5	14	- 1	13	-15	- 2
Merchandising, n.i.e.	33	- 18	15	- 2	13	19	- 22	- 3	9	6
Financial	31	- 2	29	46	75	21	- 5	16	85	101
Miscellaneous	15	- 9	6	- 1	5	20	- 8	12	- 5	7
Totals	**588**	**-164**	**424**	**110**	**534**	**592**	**-155**	**437**	**90**	**527**

[1] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[2] Exploration, development, refining, transportation, distribution and marketing.

The other capital movements adding to the value of United States investment in United States controlled concerns in Canada totalled $90 million in 1960, compared with $110 million in 1959. Taken together with the movements recorded for direct investment, the net capital movement adding to the total value of United States direct investment in Canada amounted to $527 million in 1960, only slightly below the total for 1959, despite the change in methodology. All other factors, including undistributed earnings, accounting adjustments, etc. and taking into account also the transfer of some major investments to other categories, are estimated to have added a further $186 million in 1960. The recorded net increase in the book value of United States direct investments in Canada in 1959 was $867 million and the estimated increase in 1960 was $713 million.

The fifteen years of the post-war period have seen gross inflows from the United States for direct investment aggregating $5,081 million, more than 60 per cent of it to the petroleum, natural gas, and mining industries. During the same period some $1,151 million of United States direct investment capital in Canada was repatriated, but this was almost offset by inflows of $1,120 million in other forms which added to the value of United States owned and controlled investment, making a total movement of United States capital of $5,050 million. Undistributed earnings, reclassifications, etc. led to a further rise of $3,271 million in the period, bringing the total book value of United States direct investment in Canada from $2,304 million at the end of 1945 to $10,625 million at the end of 1960.

The petroleum and natural gas industry attracted nearly half of the net direct investment inflow from the United Kingdom in 1960, while finance and real estate investments accounted for perhaps a quarter. More than a third of the net direct investment inflows from other overseas countries were to manufacturing enterprises including some important acquisitions of Canadian-owned enterprises. Inflows to the petroleum and natural gas industry also represented more than a quarter of the total.

It may be noted that estimates of the Canadian balance of payments do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a contributing factor to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investments in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision of acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Some of the factors affecting the distribution or retention of earnings have been discussed earlier in comment on the income account. Statements 12 and 12A show substantial outflows in the direct investment account representing the return of capital to its foreign owners, amounting to some $155 million in 1960. A part of these outflows reflects the withdrawal of foreign investors from some enterprises, but by far the largest part seems to cover capital repayments arising from cash flows generated in the enterprise in Canada, and may often be substantially offset by the retention in Canada of undistributed earnings accruing beneficially to non-residents. Such outflows may in a sense be regarded as really transfers of income although they take a capital form.

Estimates of the total retained earnings on all foreign direct investments appear in Statement 12B. (Figures are not available separately by country nor for Canadian direct investment abroad). Earnings retained during 1959 are estimated to have amounted to about $380 million, and their total for 1960 is tentatively placed at $350 million. These are well above the amount shown for 1959 but the calculation involves timing and valuation difficulties and only limited significance should be attached to an annual variation. The accumulation of undistributed earnings has added $4,150 million to Canada's external indebtedness in the fifteen years from 1946 to 1960. Retained earnings on foreign portfolio investment in Canada add further large amounts. The significance of this sum, large as it is, is given added emphasis by the generally rising trend evident in the figures. And of even greater significance is the fact that many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

STATEMENT 12 B. Estimated Undistributed Earnings on Foreign Direct Investments in Canada, 1946 - 60 and Other Factors Affecting Total Value

Year	Net increase in book value Table X	Net capital inflow for direct investment Table II	Other factors[1]	Undistributed earnings
	millions of dollars			
1946	113	40	−47	120
1947	160	61	−26	125
1948	284	71	53	160
1949	316	94	67	155
1950	389	222	12	155

See footnote at end of table.

STATEMENT 12 B. Estimated Undistributed Earnings on Foreign Direct Investments in Canada, 1946 - 60 and Other Factors Affecting Total Value — Concluded

Year	Net increase in book value Table X	Net capital inflow for direct investment Table II	Other factors[1]	Undistributed earnings
	millions of dollars			
1951	545	309	36	200
1952	698	346	42	310
1953	785	426	34	325
1954	761	392	54	315
1955	964	417	182	365
1956	1,140	583	87	470
1957	1,261	514	287	460
1958	751	420	71	260
1959	1,026	550	96	380
1960	1,069	645	74	350[2]
Totals, 1946 - 60	**10,262**	**5,090**	**1,022**	**4,150**

[1] New issues, retirements, borrowing, investment abroad, etc. affecting the total value of foreign direct investment in Canada, and other factors including revaluations, reclassifications, and similar accounting adjustments.
[2] Tentative estimate.

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled $85 million in 1960 which compares with $80 million in 1959. The outflow in 1960 was with one exception the largest in the post-war period; in 1956 there was an outflow of $104 million but a significant part represented the acquisition by Canadians of major interests in existing concerns abroad. If one aspect of these flows stands out in 1960 it is the degree to which the total reflects a multiplicity of varied transactions having little in common with respect to origin, industry or destination; in the past totals have shown a tendency to be dominated by a relatively few very large transactions.

More than half of the net outflow was to the United States which received $48 million in 1960 in contrast to $7 million in 1959; the disposal of some petroleum interests in that country reduced the total in 1959. The figure for 1958 was also reduced by the sale of some Canadian interests, and the total for 1960 corresponded more closely with the levels in earlier years since the termination of exchange control in Canada. The net outflow to the United Kingdom fell sharply from $44 million in 1959 to $15 million in 1960 reflecting largely the absence in the latter year of important transactions involving the purchase of manufacturing undertakings in that country. Net outflows of other overseas countries at $22 million were $7 million below the figure recorded for 1959.

About the figures —

Foreign Direct Investment in Canada

Capital movements for direct investment include a great variety of transactions, large and small, inwards and outwards, recurring and non-recurring. They include funds to finance capital formation in Canada involving the use of Canadian labour, machinery and equipment. They include the financing of machinery and equipment imported from outside Canada, ranging from small components to massive installations of custom built equipment. They include the acquisition from residents of existing assets, such as land, or buildings, or going concerns. They include the provision of basic working capital necessary to finance normal inventory investment, receivables from customers, etc. While some parent companies are supplying additional capital to finance expansion in Canada, others find that the funds generated in Canada from earnings, depreciation, etc. are greater than their foreseeable needs in this country and there is always some significant return of capital from Canada.

It is never possible to measure precisely the part of direct investment flows devoted to new capital formation or investment in a physical sense. While some transfers occur specifically for the purpose of acquiring existing concerns, property, etc., others represent only an additional source of financing for active companies which are constantly shifting the nature of their financial liabilities from one form to another, in accordance with changing circumstances.

Annual estimates of the total value of direct investments cover the total value of investments owned by all residents of the country in which control lies, in contrast with estimates of direct investment flows shown in balance of payments statements which are confined to those affecting the investment of controlling or affiliated interests. As a consequence there are capital movements recorded in the statements under categories other than direct investment which directly affect the estimated value of direct investments. These movements are also shown in Statements 12 and 12A.

Summary of Transactions in Portfolio Securities

Although in 1960 direct investment re-asserted itself as Canada's largest source of foreign capital, transactions in portfolio securities contributed a sizable $226 million equivalent to nearly a fifth of the current account deficit. This net inward movement was much smaller than for the years 1956 to 1959 when the inflow aggregating $2,717 million was equivalent to about half of the current account in the four year period, but it was larger than in all but two of the preceding post-war years.

Statements 13 and 14 give details of the transactions in Canadian and foreign issues respectively. The proceeds of new issues of Canadian securities sold to non-residents amounted to $447 million, but there were offsetting retirements of $253 million of foreign-held Canadian securities. Trade in outstanding Canadian securities resulted in a sales balance to non-residents of $52 million, bringing the net movement from transactions in Canadian securities to $246 million. In the opposite direction there was a net capital export of $20 million from all transactions by Canadians in foreign securities.

The over-all movement of portfolio security capital in 1960 came on balance entirely from the United States. There were outflows to the United Kingdom sufficient to more than offset the inflows from all other overseas countries. In 1959 residents of the United States accounted for 76 per cent of the very much larger inflow of $617 million, with residents of the United Kingdom supplying 5 per cent and other overseas countries 19 per cent.

About the figures –

Transactions in Portfolio Securities

Additional comment and statistical detail on movements of portfolio capital, including quarterly figures classified by debtor, will be found in the DBS monthly reports, *Sales and Purchases of Securities Between Canada and Other Countries* (Catalogue No. 67-002), particularly the December issues which contain an annual review. Due to revisions the figures appearing in this report will differ in some cases from those published in the earlier monthly reports.

A description of statistical sources and methods will be found on pages 26 to 30 of the December 1960 issue.

The net capital inflow to Canada from security transactions with the United States totalled $229 million in 1960, compared with $469 million in 1959. The movement included net sales of $226 million of Canadian securities, comprising $54 million of outstanding stocks and $381 million of new issues, offset by retirements of $200 million and net repurchases of $9 million of outstanding bonds and debentures. This repurchase balance re-established a pattern of annual repurchases from the United States of outstanding Canadian bonds and debentures broken since 1950 only in the year 1959. On the whole there tended to be sales of outstanding government issues and repurchases of outstanding corporate issues which, as noted later, may have been influenced by sinking fund requirements. Transactions with the United States in foreign securities led a capital inflow of $3 million.

Security transactions with the United Kingdom in 1960 led to a capital outflow of $33 million in contrast with the inflow of $28 million in 1959. This net outflow was the first since 1952. It took the form of net repurchases by Canadians of $13 million of outstanding Canadian bonds and debentures (mainly corporate) and $16 million of outstanding Canadian stocks, as well as the retirement of $27 million of various Canadian issues and net purchases of $3 million of foreign securities (principally United Kingdom bonds), offset by sales to residents of the United Kingdom of $26 million of a variety of new issues of Canadian bonds and stocks.

This outflow to the United Kingdom slightly more than offset an inflow of $30 million from other overseas countries. The inflow from these countries compared with the record of $120 million established in 1959. Contributing to the total were net sales of $25 million of outstanding Canadian bonds and debentures (mainly Government of Canada), $11 million of outstanding Canadian stocks, and $40 million of new Canadian issues. Against these inflows were retirements of $26 million of foreign-held Canadian issues and a further outflow of $20 million for the acquisition of foreign issues, a significant part being United States obligations.

A high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1960 the total value of transactions leading to the net inflow of $226 million was nearly $2.6 billion. In 1959 gross transactions approached $3.1 billion, and in 1958 the turn-over amounted to $2.5 billion.

Foreign savings made available to Canada through the acquisition of Canadian provincial, municipal and corporate securities in 1960 were equal to somewhat more than 15 per cent of the net new supply of these securities. In 1959 when net new issues of these types of securities were somewhat larger, non-resident acquisitions were equal to about 40 per cent. Canadian investors absorbed a much greater amount of the new offerings of these classes of securities in 1960 than was the case in 1959. Relatively, Canadian capital supplied a

greater proportion of this financing than in any year since 1955, although the actual amount was smaller than in the first three years of this period.

Transactions in Outstanding Canadian Securities

The capital inflow of $52 million produced by trade in outstanding Canadian securities during 1960 was much smaller than in 1959 when the corresponding figure was $201 million. The total in 1960 was made up of $49 million of common and preference stocks and $3 million of bonds and debentures; the 1959 figure was made up of $110 million of stocks and $91 million of bonds and debentures. Details will be found in Statement 13.

Taken as a whole, trade in outstanding Canadian securities produced $32 million in the first quarter of 1960, and $39 million in the second, while there were outflows of $9 million and $10 million in the third and fourth quarters respectively. These outflows arose entirely from trade in outstanding Canadian bonds and debentures; there were net sales of outstanding stocks in each quarter as there have been for many years past.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1959 and 1960

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1959	1960	1959	1960	1959	1960	1959	1960
	millions of dollars							
By type of security								
Bonds and debentures:								
Government of Canada, direct	+105	+34	+ 42	+ 19	−101	− 58	+ 46	− 5
Government of Canada, guaranteed	+ 13	+15	+ 14	+ 12	—	—	+ 27	+ 27
Provincial government (including guaranteed)	− 5	− 8	+334	+102	− 41	− 51	+288	+ 43
Municipal government	+ 2	+ 4	+158	+135	− 34	− 35	+126	+104
Railways, not guaranteed by government	− 2	− 4	—	—	− 9	− 2	− 11	− 6
Other corporations	− 22	−38	+112	+153	− 56	− 98	+ 34	+ 17
Sub-totals: bonds and debentures	**+ 91**	**+ 3**	**+660**	**+421**	**−241**	**−244**	**+510**	**+180**
Common and preference stocks	+110	+49	+ 47	+ 26	− 17	− 9	+140	+ 66
Totals (Table 1, items D3, 4, 5)	**+201**	**+52**	**+707**	**+447**	**−258**	**−253**	**+650**	**+246**
By country								
United States	+ 94	+45	+622	+381	−211	−200	+505	+226
United Kingdom	+ 11	−29	+ 45	+ 26	− 30	− 27	+ 26	− 30
Other sterling area	—	—	—	—	—	—	—	—
Other OEEC countries	+ 92	+36	+ 40	+ 39	− 16	− 25	+116	+ 50
Other countries	+ 4	—	—	+ 1	− 1	− 1	+ 3	—
Totals (Table 1, items D3, 4, 5)	**+201**	**+52**	**+707**	**+447**	**−258**	**−253**	**+650**	**+246**
By quarter								
First quarter	+ 65	+32	+180	+209	− 42	− 50	+203	+191
Second quarter	+ 48	+39	+117	+146	− 84	− 78	+ 81	+107
Third quarter	+ 58	− 9	+213	+ 52	− 61	− 32	+210	+ 11
Fourth quarter	+ 30	−10	+197	+ 40	− 71	− 93	+156	− 63
Totals (Table 1, items D3, 4, 5)	**+201**	**+52**	**+707**	**+447**	**−258**	**−253**	**+650**	**+246**

Since mid-1954 ten special income-accumulating funds have been organized in Canada with important advantages to United States investors under the tax structure in that country. As their essential characteristic is portfolio investment, notwithstanding their legal status as Canadian corporations, they are treated as representing United States portfolio investors, and their transactions in Canadian securities are included in statistics of international security trading.

Again in 1960, as in 1959, redemptions by these funds of their own shares exceeded sales. The liquidation amounted to about $30 million, compared with $10 million in 1959. Since the funds retain their net income and since they also invest in other countries, the effect on Canada's balance of payments does not correspond with the redemption of their shares. The market value of their holdings of Canadian securities fell by about $56 million during the year to about $275 million at the end. Between

$30 and $35 million of the decline is estimated to have reflected declining market values, and the balance actual net sales of Canadian holdings.

At the end of 1960 the total investment in the funds was about $329 million including about $3 million from realized and unrealized capital appreciation. About $48 million of the total was invested in foreign securities, mainly European, and a further $6 million took the form of cash balances and other current assets. The investment in Canadian securities had a market value of $275 million, including $267 million of equities. About $265 million of this total is estimated to have been owned by United States investors.[3]

Common stock prices in Canada, as measured by the DBS Investors Index, were about 2 per cent higher at the end of 1960 than at the beginning of the year. On the other hand common stock prices in the United States as measured by Standard and Poor's "500" Index fell about 3 per cent. (During 1959 stock prices in Canada had risen about one per cent compared with an increase of more than ten per cent in the United States). The average in Canada over the year 1960 was about six per cent less than in 1959, and the average in the United States was about three per cent lower. The net sales to non-residents of Canadian stocks represented only a small part of the quoted value of listings on the principal exchanges in Canada, but not all of the issues listed are available for trading. Gross sales to non-residents, which were almost a third smaller in value than in 1959, accounted for somewhat more than one-fifth of the value of shares traded on the principal exchanges in Canada, about the same proportion as in the preceding year.

[3] Estimates in these paragraphs are based on balance sheet data which do not correspond precisely with the calendar year.

New Issues and Retirements of Canadian Securities

Canada received $447 million from the sale of new issues of Canadian securities to non-residents in 1960. This figure was much below the totals for the four preceding years, but was well above the levels of earlier post-war years. Details of the new issues, classified by issuer and by currency of payment, will be found in Statements 13 and 13A. They show that the proceeds of new issues sold to non-residents were heavily concentrated in the first half of the year, particularly in the first quarter. They record a notable decline in the borrowing abroad by provincial and to a lesser extent municipal authorities. On the other hand, it may be noted that sales to non-residents of new issues of corporate securities were higher in 1960 than in 1959.

Residents of the United States bought about 85 per cent of the new issues sold to non-residents during 1960, or a slightly smaller proportion than in 1959 when the total amount was much larger. The proportion of new issues of Canadian bonds and debentures sold to non-residents which provided for payment either optionally or solely in foreign currency was 70 per cent in 1960 and about 80 per cent in 1959.

STATEMENT 13 A. Proceeds of New Issues of Canadian Securities Sold to Non-Residents, 1952 - 60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	1952 - 60
	millions of dollars									
Bonds and debentures payable optionally or solely in foreign currencies:										
Government of Canada, direct	—	—	—	—	—	—	—	—	—	—
Government of Canada, guaranteed	—	—	—	—	—	—	—	—	—	—
Provincial government (incl. guaranteed)	101	136	114	—	212	130	162	321	93	1,269
Municipal government	43	66	34	40	106	115	143	148	119	814
Railways, not guaranteed by government	—	—	24	—	—	—	—	—	—	24
Other corporations	116	39	72	5	190	393	189	54	83	1,141
Totals	**260**	**241**	**244**	**45**	**508**	**638**	**494**	**523**	**295**	**3,248**
Bonds and debentures payable in Canadian dollars only:										
Government of Canada, direct	1	6	5	5	9	16	67	42	19	170
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	12	39
Provincial government (incl. guaranteed)	6	7	12	3	12	6	6	13	9	74
Municipal government	3	9	11	4	6	8	5	10	16	72
Railways, not guaranteed by government	2	—	1	—	—	—	1	—	—	4
Other corporations	21	26	35	46	62	69	52	58	70	439
Totals	**33**	**48**	**68**	**58**	**89**	**99**	**140**	**137**	**126**	**798**
Bonds and debentures:										
Government of Canada, direct	1	6	5	5	9	16	67	42	19	170
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	12	39
Provincial government (incl. guaranteed)	107	143	126	3	224	136	168	334	102	1,343
Municipal government	46	75	45	44	112	123	148	158	135	886
Railways, not guaranteed by government	2	—	25	—	—	—	1	—	—	28
Other corporations	137	65	107	51	252	462	241	112	153	1,580
Sub-totals, bonds and debentures	293	289	312	103	597	737	634	660	421	4,046
Common and preference stocks	23	46	19	63	70	61	43	47	26	398
Totals	**316**	**335**	**331**	**166**	**667**	**798**	**677**	**707**	**447**	**4,444**

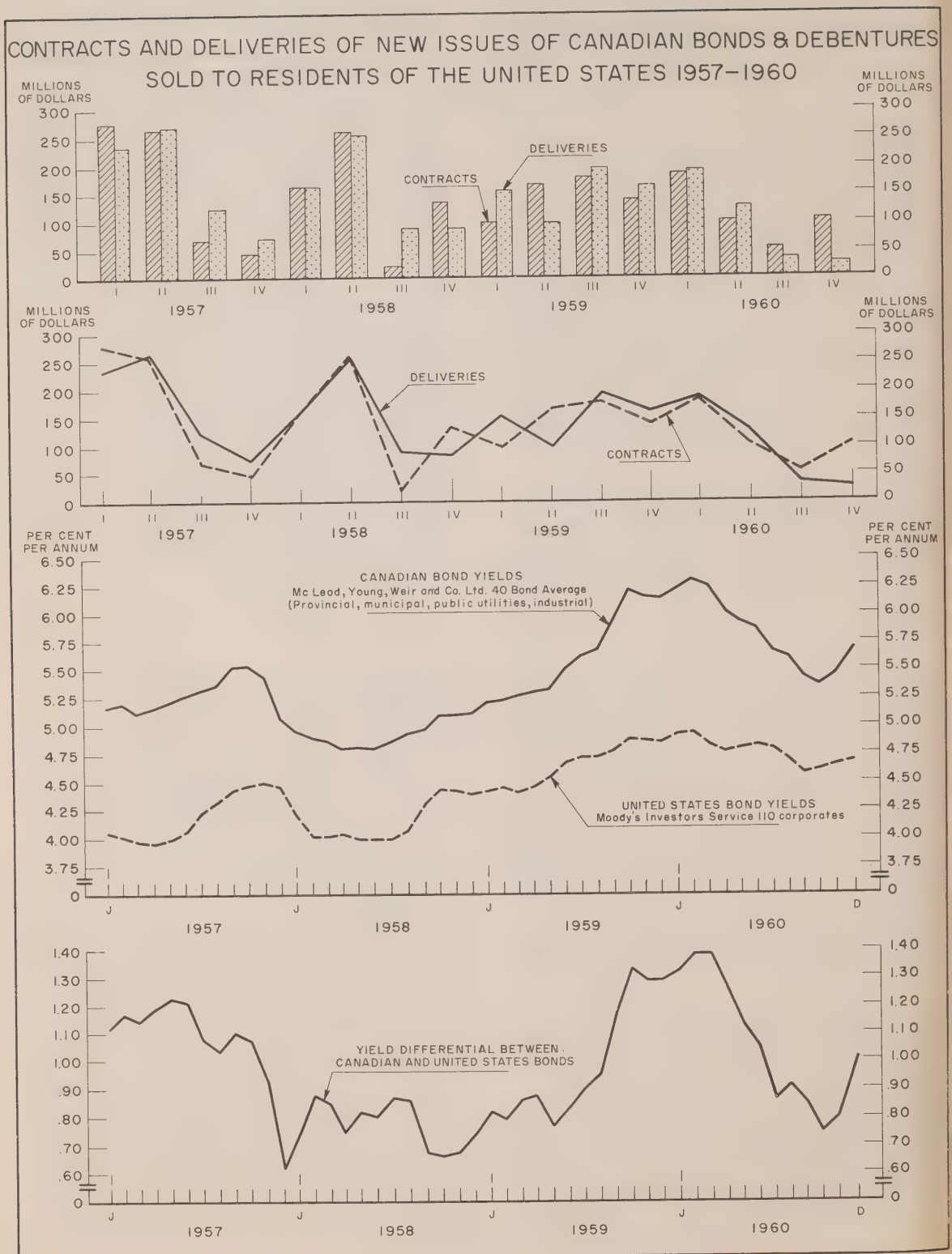
STATEMENT 13 B. Contract and Delivery of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1957 - 60

Year and Quarter	Sales contracts entered into	Add deliveries of prior sales	Deduct sales for later delivery	Proceeds of new issues (Table I, item D4)
	millions of dollars			
1956	..	..	-122	557
1957	656	122	- 80	698
1958	574	79	- 70	583
1959	575	64	- 35	604
1960	438	41	-110	369
1957 I	277	82	-126	233
II	265	63	- 61	267
III	68	77	- 20	125
IV	46	27	—	73
1958 I	161	9	- 9	161
II	260	32	- 40	252
III	20	73	- 5	88
IV	133	5	- 56	82
1959 I	98	58	- 4	152
II	164	6	- 72	98
III	177	73	- 57	193
IV	136	48	- 23	161
1960 I	182	27	- 24	185
II	100	28	- 3	125
III	53	11	- 31	33
IV	103	3	- 80	26

Note: As details of all contracts are not available, deferred deliveries may be understated.

Statement 13B sets out the contracts entered into covering sales to residents of the United States of new Canadian bonds and debentures, and delivery data appropriate for balance of payments purposes, over the four year period from 1957 to 1960. An accompanying chart relates these data to average bond yields in both Canada and the United States over the same period. While there is in evidence a relationship between new issues contracted and yield differentials, the correlation is far from precise. It may be conjectured that the magnitude of financing involved and the possible saturation of the Canadian market, the relative standings in Canadian and foreign markets of various borrowers and their relationship to the markets, as well as the type of industry involved, may be among the additional factors determining the source of capital.

Interest rates in both Canada and the United States tended to decline over 1960. The yield on the representative long-term Government of Canada issue shown in Table 7 fell 19 base points from 5.60 per cent to 5.41 per cent. At the same time the yield on the roughly comparable United States Government issue fell 61 base points from 4.41 per cent to 3.80 per cent. The differential for the dates shown in the table varied between 108 base points in September and 161 base points in December. At no time during the year did the yield differential between these issues fall below one per cent per annum. The comparison of yields between central government issues may not, however, be the one most appropriate for analysis of international security transactions. Markets for these instruments appear at times to have reflected special local domestic monetary and fiscal situations. It is not improbable that an investor may give to the securities of his own central government a specially preferred position, and may equate the securities of a foreign central government in his portfolio with those of a high grade junior government or corporation. Special tax considerations in the United States add to the difficulty of comparisons. It may be noted, however, that differentials between industrial bond yields in Canada and in the United States did not follow precisely the same trend over 1960 as for central government issues. In general the differential tended to decline over the first three quarters of the year falling from about 1½ per cent to perhaps three-quarters of one per cent. During the fourth quarter the differential rose to about one per cent. Over the year the industrial differential was reduced somewhat while the central government differential increased somewhat. Yet another yield comparison, perhaps more valid for the evaluation of total sales of new issues to residents of the United States, is given in the chart. This compares an average of provincial, municipal, public utilities and industrial issues in Canada with an average of corporate railways, public utilities and industrials in the United States.


CONTRACTS AND DELIVERIES OF NEW ISSUES OF CANADIAN BONDS & DEBENTURES SOLD TO RESIDENTS OF THE UNITED STATES 1957–1960
MILLIONS OF DOLLARS
DELIVERIES
CONTRACTS
1957
1958
1959
1960
CANADIAN BOND YIELDS
Mc Leod, Young, Weir and Co. Ltd. 40 Bond Average
(Provincial, municipal, public utilities, industrial)
UNITED STATES BOND YIELDS
Moody's Investors Service 110 corporates
PER CENT PER ANNUM
YIELD DIFFERENTIAL BETWEEN CANADIAN AND UNITED STATES BONDS

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian securities is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of Canadian securities sold to residents of the United States in 1960 was $381 million. This included $12 million from the sale of Canadian stocks, $89 million from the sale of Canadian bonds and debentures payable optionally or solely in Canadian funds, and $280 million from the sale of Canadian bonds and debentures payable in United States funds only. The par value of the latter issues was $295 million, from which there was deducted about $4 million for discounts, underwriting commissions, and other expenses, and $11 million for discount on the United States dollar.

Retirements of foreign-held Canadian securities totalled $253 million in 1960 compared with $258 million in 1959. These high levels have not been exceeded since 1950. A large volume of retirements is of course to be expected following increases in foreign-held debt. Retirements required by the operation of sinking funds are often satisfied through the surrender of bonds acquired in the market and consequently some of the repurchases of outstanding issues in effect also represent debt retirement. There was a sharp increase in retirements of corporate debt, from $65 million in 1959 to $100 million in 1960, almost $20 million of which can be attributed to the retirement of obligations of uranium companies. Retirements of Government of Canada debt totalling $58 million, mainly issues sold in the late fifties, were only slightly more than half the 1959 total, but were more than double those of the previous year. There were increases in retirements in most other categories of funded debt, but smaller stock retirements. The geographic pattern of the outflows for debt retirement was similar to previous years, with over three-quarters being to the United States, and the rest divided about equally between the United Kingdom and other overseas countries.

Transactions in Foreign Securities

For the second successive year there was an outflow in 1960 to cover net purchases by Canadians of foreign securities. The figure of $20 million arose entirely from trade in outstanding issues, as purchases of new issues were offset on balance by retirements. Net purchases of outstanding foreign securities included $14 million of bonds; Canadians purchased on balance $19 million of long-term United States Government issues and $4 million of obligations of residents of other countries but resold $9 million of United States corporate issues. The figures include some special transactions in United States Government issues. Net Canadian purchases of outstanding foreign stocks, mainly European, totalled $6 million. Geographically, trade in outstanding foreign securities is made up of net purchases of $3 million and $21 million from the United Kingdom and other overseas countries, offset by net resales of $4 million to the United States.

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1959 and 1960

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1959	1960	1959	1960	1959	1960	1959	1960
	millions of dollars							
By type of security								
Foreign bonds and debentures	−12	−14	− 7	−10	+11	+ 9	− 8	−15
Foreign common and preference stocks	−20	− 6	− 6	− 8	+ 1	+ 9	−25	− 5
Totals (Table I, items D6, 7, 8)	**−32**	**−20**	**−13**	**−18**	**+12**	**+18**	**−33**	**−20**
By country								
United States	−34	+ 4	− 8	−13	+ 6	+12	−36	+ 3
United Kingdom	+ 2	− 3	—	—	—	—	+ 2	− 3
Other sterling area	—	—	—	− 1	+ 2	+ 1	+ 2	—
Other OEEC countries	—	− 1	—	—	—	—	—	− 1
Other countries	—	−20	− 5	− 4	+ 4	+ 5	− 1	−19
Totals (Table I, items D6, 7, 8)	**−32**	**−20**	**−13**	**−18**	**+12**	**+18**	**−33**	**−20**
By quarter								
First quarter	− 5	+ 7	− 3	− 2	+ 3	+ 6	− 5	+11
Second quarter	−12	− 5	− 2	− 3	+ 2	+ 3	−12	− 5
Third quarter	− 7	+ 2	− 1	− 2	+ 3	+ 7	− 5	+ 7
Fourth quarter	− 8	−24	− 7	−11	+ 4	+ 2	−11	−33
Totals (Table I, items D6, 7, 8)	**−32**	**−20**	**−13**	**−18**	**+12**	**+18**	**−33**	**−20**

Canadians in 1960 purchased $18 million of new foreign securities including issues of borrowers in the United States, Israel, and other countries. Retirements of Canadian-held foreign securities in the same period totalled $18 million including investments in the United States, Latin America, other countries, and international financial organizations.

Long-Term Investments Abroad by the Government of Canada

All the aid extended in 1960 by Canada directly to overseas governments took the form of official contributions, and there were consequently no increases in outstanding loans. Repayments of principal on earlier intergovernmental loans totalled $32 million, including amounts from the United Kingdom, Belgium, France and The Netherlands. In addition to the principal repayments there were receipts of $32 million on account of interest in 1960; this is a part of the item in the current account covering Canada's receipts from interest and dividends.

By the end of 1960 the outstanding balances on loans of $2,485 million extended by Canada since the beginning of World War II amount to $1,386 million.[4] The amount of principal outstanding on the United Kingdom loan of 1946 was $1,047 million, and a further $339 million was outstanding by other overseas countries on post-war loans made under Part II of the Export Credits Insurance Act, special wheat and flour loans, etc. There was in addition $32 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1960 payments were overdue on the intergovernmental loans made in the inter-war years and on the post-war loan to China. These inactive loans amounted to $80 million out of the total of $1,418 million outstanding.

During 1960 Canada's additional subscription to the capital stock of the International Bank for Reconstruction and Development involved a net payment of about $3 million. About $1 million of this was paid in United States dollars, and the balance accomplished through adjustment of the Bank's holdings of Canadian dollars. (The subscriptions and adjustment in Canadian funds, together with the Bank's holdings of Canadian funds, are included in the item "other capital movements"). In addition to the capital subscription to the International Bank for Reconstruction and Development, Canada's initial participation in the recently established International Development Association involved an outlay in the fourth quarter of between $8 million and $9 million. Nearly $2 million of this was paid in United States funds, and the balance in Canadian funds. This latter part of the subscription and the Canadian dollar holdings arising from it are, as in the case of the other international financial agencies, included as "other capital movements". The International Development Association is to provide assistance to less developed areas of the world covered by the membership. Further subscriptions are to be made over a four year period.

Change in Canadian Dollar Holdings of Foreigners

The capital inflow taking the form of increased holdings of Canadian dollars by non-residents during 1960 was the largest over the past decade. The net movement amounted to $120 million. In quarterly succession there were minor reductions of $2 million each in the first half of the year followed by mounting accumulations of $45 million and $79 million by the end of the year.

Geographically, residents of the United States increased their holdings by $60 million, residents of the United Kingdom by $9 million and residents of other overseas countries by $51 million.

The steady development of the short-term money market in Canada, its relationship to markets in other countries, and its effect on the Canadian balance of international payments is again indicated by the prominence of transactions by non-residents in Canadian treasury bills, a major factor in the Canadian dollar holdings of foreigners.

Over the course of the year non-residents purchased about $380 million of Canadian treasury bills; this was somewhat above the total of $369 million for the previous year when, moreover, non-residents had acquired some one year bills under an exchange offer. As most of the bills acquired by non-residents naturally matured or were repurchased by Canadians in the same year, the net holdings by non-residents rose by $56 million in 1960 as against $14 million in the previous year. Total non-resident-owned holdings at the end of 1960 were $120 million. More than three-quarters were holdings of residents of the United States who held $93 million. In contrast, at the end of 1959 residents of the United States held only $22 million out of $64 million total foreign holdings.

Statement 14A gives monthly figures for 1959 and 1960 of sales to non-residents of Canadian treasury bills and of repurchases and maturities of foreign-held Canadian treasury bills, together with the amounts so held at the end of each month. While the total volume of transactions in 1960 was somewhat smaller than for 1959, holdings rose by a larger net amount.

[4] Excludes $44 million deferred interest on the loan of 1946 to the United Kingdom.

STATEMENT 14 A. Transactions in Canadian Treasury Bills between Canada and Other Countries, 1959 - 60

Month	Sales		Repurchases and maturities		Net change in holdings		Holdings at month-end	
	1959	1960	1959	1960	1959	1960	1959	1960
	millions of dollars							
January	17	20	20	12	- 5	8	47	72
February	28	16	10	29	18	-13	65	59
March	18	21	33	24	-15	- 3	50	56
April	30	16	13	12	17	4	67	60
May	28	18	19	20	9	- 2	76	58
June	59	19	22	31	37	-12	113	46
July	39	43	30	17	9	26	122	72
August	43	36	26	17	17	19	139	91
September	15	28	40	46	-25	-18	114	73
October	13	68	45	36	-32	32	82	105
November	31	49	41	14	-10	35	72	140
December	48	46	56	66	- 8	-20	64	120
Year	**369**	**380**	**355**	**324**	**14**	**56**	**64**	**120**

Notes: The figures include minor unidentified amounts of commercial paper.
An increase in holdings (+) reflects a capital inflow.

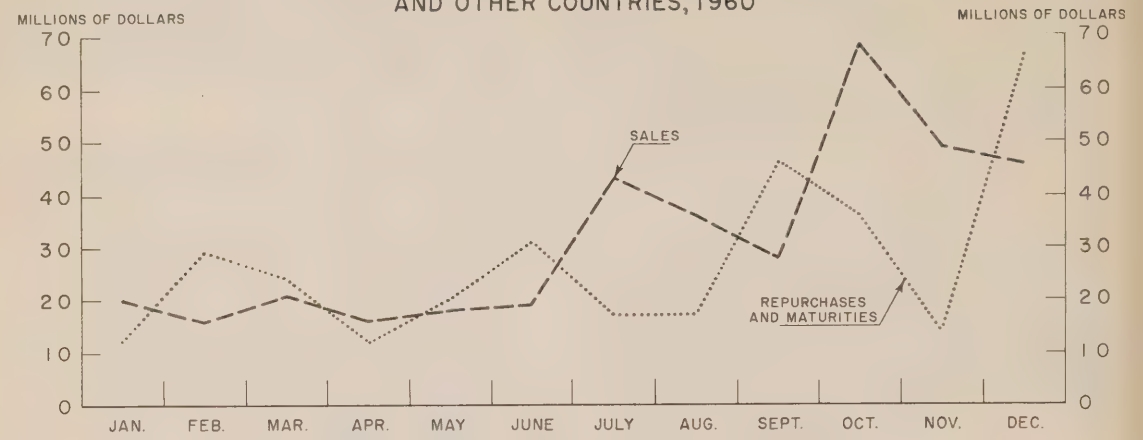
The page of charts showing the transactions in 1960 also illustrates the factors influencing interest arbitrage movements of capital from the United States to Canada.[5] Corresponding charts for 1959 appeared in the report for that year, although it may be noted that the scales employed were somewhat different. Pure interest arbitrage necessarily involves entering into a forward exchange contract to protect the investor against fluctuations in the spot rate of exchange over the term of the investment. In theory, movements of interest arbitrage capital may be expected to continue to a point where the cost of exchange protection offsets any remaining interest differential. Not all purchases of treasury bills are covered in this manner. Some investors may choose to accept the risk of exchange rate fluctuations; others may have an ultimate use for the currency and may therefore not be concerned with repatriation of the proceeds of maturing bills. In the latter part of both 1959 and 1960 some of the bills acquired by non-residents fell into this category.

Yields on 3 month treasury bills moved through a wider range in 1960 than in 1959 in both Canada and the United States. For a short period of the year the yield on Canadian treasury bills fell as much as ¾ per cent below the United States' yield while throughout 1959 it had been ⅖ per cent or more above. At its greatest point, however, the spread of about 1.64 per cent in 1960 was much lower than in 1959, when it reached about 2.96 per cent. As was to be expected under these conditions the premium on 90-day forwards in United States funds was also much smaller in 1960 than in 1959. It was at a maximum of around one per cent in the very early days of the year and again near the end, in contrast with a maximum of nearly 3 per cent the previous year. During part of 1960 there was a discount for the first time since the fall of 1958. As the result of the divergent influences, the net nominal yield differential adjusted for the cost of exchange protection reached nearly one per cent in June and July and exceeded this figure at times during the final quarter. Earlier the differential in favour of arbitrage movements from Canada to the United States (i.e. in the reverse direction) had at one time reached one-half of one per cent. In 1959 the protected differential varied between about three-quarters of one per cent in favour of Canadian bills and one per cent in favour of United States bills.

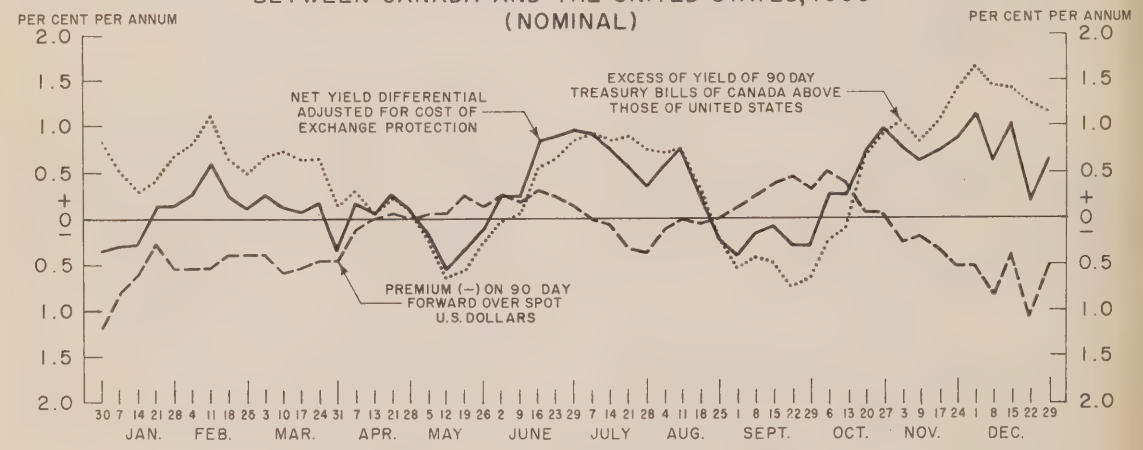
At the close of 1960 non-residents' holdings of Canadian dollars totalled $600 million, including $120 million of Canadian treasury bills. These figures are apart from holdings of international financial agencies. (Changes in these holdings are shown in "other capital movements"). In addition to treasury bills, Canadian dollar holdings of non-residents took the form of deposits with the Chartered Banks, the Bank of Canada, and Bank Trust Companies, as well as some official accounts with the Government of Canada or its agencies.

[5] Quotations upon which the interest differentials are based are subject to technical factors but are sufficiently accurate to illustrate the broad character of the changes.

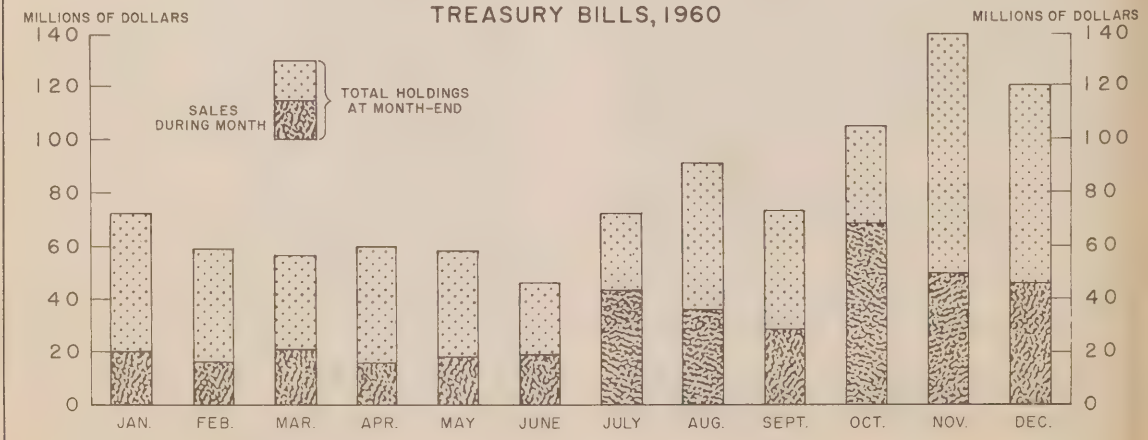
SALES, REPURCHASES, AND MATURITIES, OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1960



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1960 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1960



Change in Official Holdings of Gold and Foreign Exchange

Canada's official holdings of gold and foreign exchange were reduced during 1960. This reduction in Canadian assets abroad represents an import of capital amounting to $39 million, and it followed a similar import of $70 million in 1959 (mainly offset by Canada's gold subscription in that year to the International Monetary Fund). In 1958 Canada's official holdings of gold and foreign exchange were increased by an outflow of $109 million. The capital inflow in 1960 occurred in the first half of the year, and was partly offset by outflows in the latter half. All the movement reflected a net reduction of Canada's holdings of gold and United States dollars; official holdings of other currencies are generally limited to working balances.

In terms of United States dollars, official holdings of gold and United States funds fell from $1,869.2 million at the end of 1959 to $1,829.2 million at the end of 1960. The month-end figures through 1960 did not again reach the level at the beginning of the year. The closing total was, however, well above the month-end low point of $1,740.3 million recorded for May. Official holdings of sterling are limited to working balances and were of the order of $7 million at the end of 1960.

Other Capital Movements

All other capital movements are estimated to have led to a net capital inflow of $243 million in 1960, compared with the exceptionally large figure of $360 million for 1959. The 1959 inflow from these groups of transactions greatly exceeded that for any earlier year covered by official estimates (although it may be noted that an outflow of greater magnitude occurred in 1952).

A summary of the diverse components of this category in the Canadian balance of payments appears, together with quarterly totals, in Statement 15. It may be of interest to note that there have been inflows from these transactions in the second quarter and outflows in the third in seven of the last eight years. While seasonal factors are clearly in evidence in the totals, the individual components have not all been obtainable on a quarterly basis with sufficient precision to facilitate research into their behaviour in the past. It is hoped that quarterly detail can be made available on a continuing basis from 1960.

The group of entries related to Canada's participation in international financial agencies requires little comment. A description of them has already appeared earlier in this report.

Many different types of movement, in both directions, contributed to the net inflow of $58 million arising from other long-term capital transactions. Among them were transfers of capital by insurance companies, long-term bank loans, trade credits and other borrowing.

A more homogeneous component was the borrowing from non-residents by Canadian finance companies totalling $65 million. With the exception of 1959 this was a record. Most of the movement occurred in the last quarter of the year when some $54 million came into Canada for the purpose. The net borrowing abroad of $321 million between 1952 and 1960 may be compared with a growth in this period of $797 million in the total outstanding notes and debentures of instalment and other finance companies. While the borrowings from non-residents include some open account borrowing from affiliates, on the other hand there are long-term debentures held abroad whose sale was included with portfolio transactions in corporation bonds and debentures. It will be evident that a substantial amount of the capital provided in these forms comes from non-residents. Aside from the increase in notes and debentures outstanding, further financing in the nine-year period included $288 million of chartered bank loans and $449 million growth in capital, reserves, and "other" liabilities.[6] There is, of course, some substantial foreign direct investment capital included in this group.

Among the particularly interesting components shown in Statement 15 is the growth of bank balances and other short-term funds abroad, apart from official holdings of gold and foreign exchange. The net capital outflow for this purpose from 1946 to 1960 was $989 million.[7] These private and banking holdings of exchange were placed at $1,168 million at the end of 1960. For the most part they take the form of deposits of residents represented by claims in United States dollars or of United States short-term securities held for the account of residents.

In the light of the net increase in these holdings of about $61 million in 1960, it will be of some interest to note that total foreign currency deposits with the Chartered Banks of Canada as a whole rose in the same period from about $2,372 million to $2,654 million, while their net foreign assets, after provision for reserves, increased from $21 million to $71 million. There are many factors entering into the reconciliation between the series appropriate for the balance of payments and the Statutory Returns of the Chartered Banks. Some of the reported deposits form part of the operations outside Canada of the banks, while some which are in Canada are not assets of Canadian residents or are associated with loans in foreign currency to Canadian residents and are not foreign assets from the point of view of the Canadian economy as a whole. On the other hand there are important foreign currency deposits held directly outside Canada by residents other than the banks.

Reference has already been made in the earlier section discussing changes in Canadian dollar holdings of foreigners to varying conditions in the international money market.

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[6] *Bank of Canada Statistical Summary, August 1961.*

[7] Because of exchange rate changes the capital movements are not equivalent to changes in the value of holdings.

STATEMENT 15. Composition of Other Capital Movements, 1953-60

A minus sign indicates an outflow of capital from Canada

Transactions with all countries	1953	1954	1955	1956	1957	1958	1959	1960[p]				
								Year	IQ	IIQ	IIIQ	IVQ
	millions of dollars											
By type												
International financial agencies:[1]												
Canadian dollar subscriptions	—	29	−4	− 1	8	− 3	−178	− 9	—	− 1	− 2	−6
Short-term Canadian dollar holdings	− 18	−42	−5	− 16	− 7	2	181	5	—	3	2	—
Loans by Government of United Kingdom to a Canadian Corporation	20	—	—	—	—	—	—	—	—	—	—	—
Other long-term capital transactions	− 10	29	49	152	42	100	28	58	3	43	− 3	15
Borrowings from non-residents by finance companies	19	11	23	64	7[r]	24[r]	73	65	− 6	11	6	54
Bank balances and other short-term funds abroad (excluding official reserves)[2]	− 79	−75	91	−215	−274	− 58	−120	−61	32	−79	−87	73
All other transactions including changes in loans and accounts receivable and payable[3]	−117	20	50	168	350[r]	57[r]	376	185	−100	185	45	55
Totals (Table I, item D17)	**−185**	**−28**	**204**	**152**	**126**	**122**	**360**	**243**	**− 71**	**162**	**−39**	**191**
By quarter												
First quarter	− 90	−62	1	206	124	131	118	−71	− 71	—	—	—
Second quarter	41	92	111	93	114	19	201	162	—	162	—	—
Third quarter	− 14	−35	−5	−103	−109	−137	37	−39	—	—	−39	—
Fourth quarter	−122	−23	97	− 48	− 3	109	4	191	—	—	—	191
Totals (Table I item D17)	**−185**	**−28**	**204**	**148**	**126**	**122**	**360**	**243**	**− 71**	**162**	**−39**	**191**

[1] International Bank for Reconstruction and Development, International Monetary Fund, and International Development Association.
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.

Note: For annual detail 1946-52, see Table I in *Canada's Short-term External Assets and Liabilities, 1945-57* (DBS Catalogue No. 67-504).

In the light of these factors there were at times in 1960, as in 1959, substantial purchases by Canadians of foreign treasury bills. Available statistical sources do not permit the complete segregation of these transactions. It is clear, however, that over the course of the year Canadians purchased, apart from official and banking funds, some hundreds of millions of dollars of treasury bills and similar short-term securities, of the United States and United Kingdom. Because of the short term of these instruments, the net capital movement in any period of the year and the holdings at any one time were of course much lower than the magnitude of gross purchases might imply. From the evidence available it appears that because of maturities and resales Canadian holdings actually fell somewhat over the year as a whole. Movements into United States short-term securities on an interest arbitrage basis were particularly attractive in the last half of 1959 and private Canadian holdings at the beginning of 1960 were of the order of $100 million. This advantage disappeared in the early weeks of 1960 to reappear significantly only briefly during May. Holdings declined in most months of 1960, and were of the order of $25 million at the year end. Interest arbitrage movements from Canada to the United Kingdom were theoretically advantageous in all but two weeks of 1960, although in many of these the margins of advantage were too narrow to motivate actual transactions. In the months from March to May and August to October, however, the nominal advantage exceeded one per cent per annum and it is significant that in the second and third quarters Canadian owned United Kingdom treasury bills held directly rose by about $25 million, while other private and banking holdings of sterling funds, which could also be motivated in part by similar influences, also rose sharply. Much of this capital was repatriated in the closing quarter.

All other movements led to an inflow of $185 million in 1960, following an inflow of $376 million in 1959. This category reflects the change in net short-term loans and accounts payable. In addition to recorded receivables and payables, it includes the balancing item representing the difference between direct measurements of the current and capital accounts.

In view of the extraordinarily large and seasonally atypic total of this group of movements in the final quarter of 1960, it may be of value to record some of the influences which might have been expected to affect this period. Among them were changing short-term interest differentials, making the employment of money in Canada significantly more attractive than in the United States, both before and after provision for forward exchange protection. The corresponding differentials between Canada and the United Kingdom also changed, reducing the attraction for Canadians of the London money market. New bank instruments came into use in Canada competing for funds with other types of medium term borrowers. A heavy volume of Canadian borrowing in the form of sales to non-residents of commercial paper also began to appear. Some Canadian banking interests abroad were disposed of. The introduction of Canadian budgetary measures affected withholding taxes on income paid to non-residents and some other aspects of international investment, and there were some similar effects arising from the operation of reciprocal tax agreements; there was only a brief period before the end of the year for appraisal by those affected of the incidence of these changes. To these possible factors there may be added effects of the constantly changing pattern of Canada's trade and its financing. In the quarter, too, there was a sharp change in the external value of the Canadian dollar which, possibly reflecting the incidence of some transactions and expectations, may have contributed to other shifts.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Canada's net balance of international indebtedness[8] rose by $1.4 billion to $16.9 billion in 1960. This increase was smaller than for any year since 1955, although it should be noted that the lower year-end value of the Canadian dollar added more than $0.2 billion to the value of Canada's external assets. The principal factors contributing to the increased indebtedness were Canada's net current account deficit of $1.2 billion and the net balance of earnings accruing but not paid on foreign investments in Canada less those on Canadian investments abroad. Net indebtedness of Canada to investors in other countries is estimated to have been $16.9 billion at the end of 1960, having shown a persistent growth from its post-war low of $3.8 billion eleven years earlier.

A variety of classifications of the components could be established as the framework for the consideration of this aspect of Canada's international economic and financial relationships from different points of view. For some purposes interest might be directed to a distinction between long-term and short-term components, for others to components providing for contractual repayment or carrying service obligations in foreign currency at a predetermined rate, or to the range of yields immediate or accrued attaching to their term and liquidity, or to the division of them between the private and public sectors. All of these might have meaning in the context of particular studies. While it is not possible to compile all the components of Canada's international investment position in such a way as to permit precise classifications on all these bases, a great many combinations to meet particular purposes are made possible by the variety of detail included in Tables V to XIII at the end of this report and in some of the Statements in this section.

Foreign long-term investment in Canada is estimated to have totalled $22.3 billion at the end of 1960, up from $20.8 billion at the earlier year-end and $7.1 billion at the beginning of the post-war period. Direct investments in foreign-controlled enterprises amounting to $13.0 billion make up more than half the total, and have been growing more rapidly over the period than portfolio investments. Other liabilities to non-residents bring Canada's total external liabilities to $26.1 billion. Canadian long-term investments abroad totalled about $5.9 billion at the end of 1960 (about $1.5 billion of them are directly offset by items included among other liabilities to cover the equity in them of non-residents, or short-term Canadian dollar liabilities arising from Canada's subscriptions to international financial agencies). They include $3.8 billion of private direct and portfolio investment abroad, and $2.0 billion of Government of Canada loans and ~~and~~ investments. To the total of long-term investments must be added other short-term assets abroad including Canada's official holdings of gold and foreign exchange, private and banking holdings of foreign funds, and accounts receivable, bringing gross assets to $9.3 billion.

Effective in 1960 the statistical treatment accorded some international groups of companies has been changed to reflect more closely their ultimate corporate ownership. The net effect of these changes is to reduce United States owned investments in Canada and to increase those owned by residents of the United Kingdom and of other overseas countries. The effects are concentrated in several industrial groupings.

[8] The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-60

Item	1926	1930	1939	1945	1949	1955	1956	1957	1958	1959	1960[P]
	billions of dollars										
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	15.3	17.7	19.9	21.8	24.3	26.1
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.4	7.7	8.1	8.4	8.8	9.3
Net indebtedness	**5.1**	**6.5**	**5.5**	**4.0**	**3.8**	**7.9**	**10.0**	**11.8**	**13.4**	**15.5**	**16.9**

Note: For details see Table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-60

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1958	1959	1960[P]
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,275	14,436	15,811	16,850
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	3,088	3,199	3,400
Other countries	14	178	177	170	188	286	352	842	1,481	1,823	2,075
Total book value	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,473**	**19,005**	**20,833**	**22,325**

[1] Privately estimated; for sources see Table XIII.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-60

Classification	1926	1930	1945	1949	1955	1956	1957	1958	1959	1960[P]
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	6,513	7,392	8,472	9,045	9,912	10,625
Government and municipal bonds	909	1,205	1,450	1,534	1,640	1,872	2,061	2,344	2,764	2,902
Other portfolio investments	799	1,368	1,106	1,107	1,585	1,802	1,987	2,174	2,242	2,418
Income accumulating investment funds	—	—	—	—	170	249	255	342	321	265
Miscellaneous investments	85	94	130	170	367	474	489	531	572	640
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**10,275**	**11,789**	**13,264**	**14,436**	**15,811**	**16,850**

Foreign Financing of all Canadian Investment

Statements 19 and 20 show the substantially increased importance of non-resident investment in Canada in the last decade. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. For the years 1956 to 1960 during which tremendous capital formation occurred, these ratios rose to more than one-third and more than two-fifths respectively. Each measure has special meaning. From 1956 to 1960 Canadian sources of savings were sufficiently large to finance nearly two-thirds of net capital formation (as reflected in Measure A2), but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings directly financed a smaller part of net capital formation in Canada, with non-residents directly financing the balance of about 45 per cent as shown in Measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-60

Measure	1946-1949	1950-1955	1956-1960
	percentages		
A. Use of foreign resources as a percentage of:			
1 gross capital formation	—	17	27
2 net capital formation	-11	19	35
B. Direct foreign financing of:			
1 gross capital formation	19	25	33
2 net capital formation	24	33	45

STATEMENT 20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada 1946-60

Year	Gross capital formation	Net use of domestic resources	Net use of foreign resources
	billions of dollars		
1946	2.0	2.2	- .2
1947	2.8	2.6	.2
1948	3.2	3.3	- .1
1949	3.6	3.5	.1
1950	4.5	3.8	.6
1951	5.7	4.8	.9
1952	6.0	5.6	.4
1953	6.6	5.4	1.2
1954	5.6	4.4	1.2
1955	6.6	4.9	1.7
1956	9.1	6.7	2.4
1957	8.9	6.3	2.6
1958	8.0	6.0	2.0
1959	8.7	6.2	2.6
1960p	8.5	6.3	2.2

For statistical method see measure A 1 in accompanying note.

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to nearly one-quarter of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

About the figures –

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches have been adopted. The first attempts to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and the return of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and net investment. The significance of the latter comparison lies partly in the fact that new financing may be regarded as being substantially for additions to the stock of capital rather than for its replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of *Canada's International Investment Position 1926-1954.*

A. Use of Foreign Resources

1 { *Current account deficit* (net), adjusted for *retained earnings* of foreign direct investments in Canada and Canadian direct investments abroad, plus *capital consumption allowances* and *depletion* on foreign direct investments in Canada / Total private and public investment in Canada, plus value of physical change in inventories

2 { As in A1 but excluding capital consumption allowances / As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments

B. Direct Foreign Financing of Investment

1 { *Direct investment* in Canada, plus *retained earnings* on foreign direct investments, *new issues* of Canadian securities sold to non-residents,[9] other *long-term financing*, changes in *accounts payable*, and *capital consumption allowances* and *depletion* on foreign direct investments in Canada / Total private and public domestic investment in Canada, plus value of physical change in inventories

2 { As in B1 but excluding capital consumption allowances / As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments

The results of these measurements are summarized in Statements 19 and 20.

When interpreting the ratios it should be borne in mind that they cover the whole field of private and public capital formation, and they include large elements of housing and other social capital in the financing of which foreign capital plays only a minor role. The investment series elsewhere in this report relate foreign ownership and control to the specific sectors in which it plays a particularly significant part.

Underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources.

[9] Other than government borrowing of $150 million in 1948 which served to replenish official holdings of exchange.

Direct Investment in Canada by Countries other than the United States and United Kingdom

Direct investment in Canada by countries other than the United States and United Kingdom amounted to $610 million at the end of 1959, having grown tenfold in the post-war years. More than half of the increase occurred in the four years 1956 to 1959, when the book value rose by nearly 90 per cent. This rate of growth was considerably higher than for either the United States or United Kingdom, although of course the amounts involved are smaller. By the end of 1960 these investments are estimated to have increased further to $775 million, although it may be noted that part of the increase reflects a change in the statistical treatment of some international companies.

Statement 21 shows the geographic distribution of ownership of these investments at the end of 1955, 1957 and 1959. It reveals the exceptionally rapid growth of direct investment by the Federal Republic of West Germany which increased from $14 million to $82 million in the four year period. The next largest increases were in investments by Belgium, France, Switzerland, and the Netherlands. Belgium was the leading country at the end of 1959 as in 1955. French direct investments grew more rapidly in the four year period than those of Switzerland, and France and Switzerland interchanged places as the fourth and fifth largest sources of direct investment capital. German investments were the next largest group. The largest part of Belgian investment was in the petroleum industry. French and Swiss investments were largely

in the financial category, which includes also real estate ownership. German investments on the other hand were largely in the manufacturing field.

The figures do not include "miscellaneous investments" in real estate, mortgages, assets administered for non-residents, private investment companies, etc., which amounted to $489 million at the end of 1959. Some of these investments are similar in character to the direct investment covered in the statement.

The channels used by many overseas countries for portfolio investment in Canada, which at the end of 1959 amounted to $724 million, preclude identification by country of ownership, but the overwhelming part of the total may be considered to be owned in Western Europe.

STATEMENT 21. Direct Investment in Canada by Countries other than the United States and United Kingdom, Selected Year Ends, 1955-59

Country of ownership	Book value 1955	Book value 1957	Book value 1959
	millions of dollars		
Australia	6	6	7
Other sterling area	8	14	31
Sub-totals, sterling area excluding United Kingdom	**14**	**20**	**38**
Belgium	107	139	164
Denmark	7	7	9
France	64	92	107
Germany	14	56	82
Netherlands	9	23	34
Sweden	12	19	27
Switzerland	72	92	101
Other OEEC countries	3	4	4
Sub-totals, OEEC countries other than sterling area	**288**	**432**	**528**
Panama	2	6	6
Other Latin American countries	1	3	2
Sub-totals, Latin America	**3**	**9**	**8**
Other countries[1]	20	33	36
Totals[2]	**325**	**494**	**610**

[1] Includes mainly foreign controlled investments whose beneficial ownership has not been identified by country.
[2] Distribution of these totals by industry will be found in Table X, part D.

Distribution of Ownership of Net Canadian Long-Term Funded Debt

Statement 22 provides a detailed classification of the estimated distribution of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954 and 1959 (net of sinking funds). Over this period of five years, outstanding funded debt is estimated to have risen by 34 per cent to $32 billion of which about 14 per cent currently provides for payment solely or optionally in foreign currency. At the end of 1959 such issues accounted for one per cent of Government of Canada debt (excluding railway debt), 26 per cent of provincial debt, 25 per cent of municipal debt, 22 per cent of railway debt, and 21 per cent of other corporate funded debt. They represented 23 per cent of all funded debt other than Government of Canada direct issues. Total non-resident ownership rose by 53 per cent to $5.8 billion. Perhaps one-third of this total represents investment from the United States by United States insurance companies; some of these companies also have large investments in Canadian securities arising from their Canadian business. Securities owned by non-residents accounted for 4 per cent of the Government of Canada debt, 28 per cent both of provincial debt and municipal debt, 24 per cent of railway debt and 30 per cent of corporate funded debt. This was 18 per cent of all funded debt or 29 per cent of all funded debt except Government of Canada direct issues. Additional ratios, including those for rates of increase, appear in Statement 23.

STATEMENT 22. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt Classification by Currency of Payment, End of 1954 and 1959

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959
	millions of dollars									
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only[1]	12,640	13,554	12,284	13,068	265	291	22	29	69	166
Payable in foreign currencies only	392	185	97	59	242	92	49	31	4	3
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	**13,041**	**13,739**	**12,382**	**13,127**	**515**	**383**	**71**	**60**	**73**	**169**
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	4,188	2,456	4,040	45	80	30	44	12	24
Payable in foreign currencies only	512	1,283	1	7	510	1,272	1	—	—	4
Payable optionally in Canadian or foreign currencies	388	171	22	10	359	157	7	4	—	—
Sub-totals	**3,443**	**5,642**	**2,479**	**4,057**	**914**	**1,509**	**38**	**48**	**12**	**28**
Municipal:										
Payable in Canadian dollars only	1,491	2,401	1,389	2,276	72	92	26	24	4	9
Payable in foreign currencies only	285	750	14	1	267	742	3	6	1	1
Payable optionally in Canadian or foreign currencies	87	63	27	22	54	38	6	3	—	—
Sub-totals	**1,863**	**3,214**	**1,430**	**2,299**	**393**	**872**	**35**	**33**	**5**	**10**
Railways:										
Payable in Canadian dollars only	895	1,576	850	1,514	30	15	7	20	8	27
Payable in foreign currencies only	422	420	—	4	133	143	287	271	2	2
Payable optionally in Canadian or foreign currencies	253	36	116	22	111	1	4	—	22	13
Sub-totals	**1,570**	**2,032**	**966**	**1,540**	**274**	**159**	**298**	**291**	**32**	**42**
Other corporations:										
Payable in Canadian dollars only	3,193	5,834	2,779	5,073	249	484	142	192	23	85
Payable in foreign currencies only	689	1,400	9	36	664	1,328	11	13	5	23
Payable optionally in Canadian or foreign currencies	86	153	18	37	68	112	—	1	—	3
Sub-totals	**3,968**	**7,387**	**2,806**	**5,146**	**981**[2]	**1,924**[2]	**153**	**206**	**28**	**111**
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	27,553	19,758	25,971	661	962	227	309	116	311
Payable in foreign currencies only	2,300	4,038	121	107	1,816	3,577	351	321	12	33
Payable optionally in Canadian or foreign currencies	823	423	184	91	600	308	17	8	22	16
Totals	**23,885**	**32,014**	**20,063**	**26,169**	**3,077**	**4,847**	**595**	**638**	**150**	**360**

[1] Excludes treasury bills and notes 1,530 2,077

[2] Includes corporate bonds held by United States parent companies and affiliates:

Payable in Canadian dollars only	7	28
Payable in foreign currencies only	142	130
Payable optionally in Canadian or foreign currencies	39	35
Totals	**188**	**193**

STATEMENT 23. Selected Ratios Relating to Canadian Long-Term Funded Debt, 1954-59

	Government of Canada[1]	Provincial[1]	Municipal	Railways	Other corporations	Total	Total excluding Government of Canada[1]
	per cent						
Distribution of long-term debt outstanding:							
1954	54	14	8	7	17	100	..
1959	43	18	10	6	23	100	..
Proportion of debt owned by non-residents:							
1954	5	28	23	38	29	16	29
1959	4	28	28	24	30	18	29
Rate of increase in long-term debt outstanding 1954-59:							
Totals	5	64	73	29	86	34	69
Payable in Canadian dollars only	7	65	61	76	83	33	72
Payable in foreign currencies only	- 53	151	163	—	103	76	102
Payable optionally in Canadian or foreign currencies	-100	-56	-28	-86	78	-49	-48
Proportion of increase 1954-59 represented by:							
Debt payable solely or optionally in foreign currency	- 31	25	33	-47	23	16	21
Debt owned by non-residents	- 7	28	36	-24	31	25	28

[1] Other than railways.

Financial Institutions and Companies

Details of the components of the financial category of the international investment statistics for the end of 1956 and of 1959 are given in Statement 24. This group of investments has grown rapidly. Foreign investments in the group totalled $548 million at the end of 1949 when they represented 6.9 per cent of total foreign long-term investment in Canada. The total of $2,190 million a decade later represents a rise to 10.5 per cent of all investments. Some categories of these investments are similar in character to parts of "miscellaneous investments" which are the subject of later comment.

STATEMENT 24. Detail of Foreign Investment in Financial Category End of 1956 and 1959

Type	Direct investment							
	United States		United Kingdom		Other countries		Total	
	1956	1959	1956	1959	1956	1959	1956	1959
	millions of dollars							
Banks, trust, loan and mortgage companies, investment services, brokers, insurance agents	271	408	18	28	40	50	329	486
Insurance companies	228	436	56	81	27	49	311	566
Real estate companies	29	40	13	27	23	44	65	111
Income accumulating funds	—	—	—	—	—	—	—	—
Other holding companies	23	20	28	32	62	74	113	126
Totals as in Tables IX and X	**551**	**904**	**115**	**168**	**152**	**217**	**818**	**1,289**

Type	Total (Direct and portfolio investment)							
	United States		United Kingdom		Other countries		Total	
	1956	1959	1956	1959	1956	1959	1956	1959
	millions of dollars							
Banks, trust, loan and mortgage companies, investment services, brokers, insurance agents	378	581	151	235	48	75	577	891
Insurance companies	282	479	61	83	29	50	372	612
Real estate companies	37	58	21	36	37	59	95	153
Income accumulating funds	249[1]	321[1]	—	—	—	—	249	321
Other holding companies	37	32	51	59	107	122	195	213
Totals as in Tables IX and X	**983**	**1,471**	**284**	**413**	**221**	**306**	**1,488**	**2,190**

[1] Investment in Canadian securities only; minor investment by United Kingdom and other countries is included with "other holding companies".

Miscellaneous Investments

Statement 25 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. The large total of foreign investment in Canada held by intermediaries of one type or another and covered in this statement is a measure of the complex channels sometimes followed by international investment. The largest part of the total of over one and a quarter billion dollars is represented by investment in Canadian securities, conservatively estimated at $776 million at the end of 1959. Perhaps three-fifths of this covers investment in Canadian stocks, some of public companies, some of private, and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling $310 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled $175 million.

STATEMENT 25. Detail of Foreign Investment in "Miscellaneous Investments[1]" Category Year Ends, 1952-59

Type	Year end								Country of ownership 1959		
	1952	1953	1954	1955	1956	1957	1958	1959	United States	United Kingdom	Other countries
	millions of dollars										
Canadian securities	225	243	302	313	413	479	613	776	142	171	463
Mortgages on Canadian real estate	77	76	109	168	250	255	295	310	303	3	4
Real estate in Canada	120	118	115	120	125	115	115	140	110	15	15
Other investments	25	30	35	40	30	30	35	35	17	11	7
Totals as in Tables VIII and IX	**447**	**467**	**561**	**641**	**818**	**879**	**1,058**	**1,261**	**572**	**200**	**489**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.

About the figures –

Miscellaneous Investments

These investments include Canadian securities, real estate, mortgages, and other assets held or administered for non-residents by trustees, agents, or nominees, private investment companies, etc. Measurement is necessarily not as precise as the direct ownership of Canadian concerns and securities by non-residents.

Many other non-resident holdings of the types of assets shown in the statement are covered, although not similarly classified, in other categories of non-resident-owned investments shown in Tables VIII and IX. Mortgage debt of Canadian companies which is held directly by non-resident investors appears, for example, among "other corporation assets" in Table VIII. Large amounts of real estate are owned by Canadian companies classified by industrial function in Table IX, the companies formed specifically for the holding of real estate or mortgages being grouped with financial institutions. A part of the unclassified Canadian securities component of *Miscellaneous Investments* also reflects investment in private real estate holding companies.

Investments in Canadian securities by ten income-accumulating investment funds established for portfolio investment by United States investors are excluded from Miscellaneous Investments and shown as a separate category elsewhere.

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 6,712 by the end of 1959. The increase during the year was 357. As will be seen in Statement 26 the Bureau's records covered over 9,400 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1959. The total number of Canadian corporations of all sorts in that year was about 113,500. Statement 26 also shows the great corporate activity in the field of foreign investment.

STATEMENT 26. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1959

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
Number at beginning of year	4,671	1,210	474	6,355	2,348	8,703
Add						
New concerns with foreign capital	+352	+48	+39	+439	+104	+543
Transfers of control	+ 23	+10	+ 7	+ 40	+ 19	+ 59
Subtract						
Transfers of control	- 22	- 4	- 4	- 30	- 29	- 59
Concerns now wholly-owned by Canadians	- 18	- 1	—	- 19	- 15	- 34
Concerns liquidated, merged, etc.	-116	-26	- 7	-149	- 38	-187
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 27	+40	+ 9	+ 76	+ 94	+170
Number at end of year (Table XI)	4,917	1,277	518	6,712	2,483	9,195

Note: These numbers exclude about 225 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

About the figures –

Industrial Classifications

The book value series in statistics of international investment in corporations are generally derived from consolidated balance sheet data of the ENTERPRISES in Canada. (Enterprises are defined broadly as firms or aggregations of firms under common ownership and financial control*.)[10] As a result the entire investment in Canada of a corporation together with its subsidiaries is normally attributed to their principal activity. Moreover a company established to provide facilities for a particular enterprise is normally classified with it. These two principles have far reaching effects on figures for some industrial sub-divisions.

As an example of the first, railway subsidiaries established by mining companies, primarily to provide transportation of their output, are included as investment in the category OTHER MINING AND SMELTING in preference to the railway category. Under the second principle, companies established in connection with the lease-back of service station properties are shown with PETROLEUM AND NATURAL GAS, and companies established to provide specific chain or department store properties are included with MERCHANDISING.

These examples may serve to alert the careful user to the necessity of applying to the data his own knowledge of the corporate structure and output characteristic of enterprises engaged in the particular group in which he may be interested. The direct comparison of industrial statistics compiled on the basic establishments, the normally accepted industrial concept, and financial statistics for corporations or enterprises classified industrially, is not possible. The complexities of industrial organization are such that it would be impracticable to identify here all the potential points of difficulty which may lie in each industrial sub-division, but the principles given above, together with the following comment on particular categories and on the major exceptions to these principles, should be helpful.

PETROLEUM AND NATURAL GAS taken as a whole is treated as one industry because of the typically high level of integration and of the nature of the statistical sources available. Thus there are grouped together enterprises whose primary activity may be refining (manufacturing), exploration and development (mining), pipe lines, tankers, and other transportation facilities (utilities), and wholesale and retail distribution (merchandising). The group includes some important petrochemical activities. These components of the petroleum and natural gas industry are, of course, all excluded from the categories in which they might otherwise have appeared.

The MANUFACTURING category as a whole includes substantial investment devoted to non-manufacturing activities such as the production of power for use within the enterprise or even for sale, transportation facilities, merchandising, etc. And within the finer sub-divisions investment attributed to one heading may include substantial amounts more relevant to some other manufacturing activity because of the product mix of the enterprise.

The MINING AND SMELTING category is limited to native ores, the smelting of alumina, for example, being included with manufacturing. It has already been noted that the category includes ancillary transportation investments, but excludes petroleum and natural gas.

The separate RAILWAYS category covers investments in the whole range of activity by the principal railways, including their investments in rolling stock production and maintenance, ships, airlines, trucking,

[10] *Standard Industrial Classification Manual*, DBS Catalogue No. 12-501. Occasional.

hotels, telegraphs, etc. But railway investments in mining companies have been transferred to the mining and smelting group. The railway category, it should be noted, includes foreign investment through holdings of funded debt of the Canadian National Railways and provincial railways. This treatment has its roots deep in Canadian history and in the original financing abroad of some of the undertakings.

The same treatment has not, however, been applied throughout the statistics to other categories of public enterprises, and the substantial foreign investment in their debentures guaranteed by provinces and municipalities is included with investment in government securities; the magnitudes involved will be evident from the footnote to Table IX. An exception has been made, however, in respect of the category OTHER UTILITIES when shown in Tables XII, XIV and XVI where the foreign investment includes ownership of the debentures associated with public enterprises in these fields.

Some special comment is therefore appropriate in respect of the category of "Other Utilities" used in these particular aggregative statistics embracing Canadian as well as foreign capital. The category includes electric power production and distribution, telephone, radio and television (except for the international service of the Canadian Broadcasting Corporation), airlines, shipping and trucking not included with railways, international bridges and tunnels, ferries, local transit systems, etc., whether public or private enterprises. Other items such as street lighting systems, waterworks, highways (including toll highways), local bridges, canals, in which private enterprise has not normally been associated, are excluded.

The same general perimeters apply to other categories of the aggregative series in Tables XII, XIV and XVI. Public enterprises such as Atomic Energy of Canada Limited, Polymer Corporation, National Film Board, Eldorado Mining and Refining Limited, and Northern Ontario Pipeline Crown Corporation, are included as well as similar undertakings by other levels of government.

Returning to the general classifications, the MERCHANDISING category includes enterprises engaged primarily in that field, and embraces both wholesaling and retailing. It ranges from great enterprises whose activities extend also into manufacturing, real estate ownership, and financing, to small distributing branches in Canada of foreign corporations. But even some of the latter may engage in assembly operations. The category excludes, of course, a great range of merchandising activity carried out by other enterprises, particularly those classified as manufacturing and as petroleum and natural gas. In the tables which cover also Canadian investment, the totals are founded on less satisfactory data than for other sectors because of the multiplicity of Canadian firms involved and the significant part represented by non-corporate enterprises which has had to be estimated.

The FINANCIAL category includes not only banks, trust companies, insurance companies and other institutions providing financial services, but also real estate and holding companies except, as has been indicated earlier, those which are associated with investment and management in a particular industrial sector.

The category of OTHER ENTERPRISES covers a wide variety of activities including logging, engineering services, construction, film distribution, entertainment, advertising, hotel operation, cartage, shipping agents, stevedoring, geophysical services, etc.

There is also a sizeable foreign investment in forms, or through intermediaries, which preclude inclusion with the basic statistics classified industrially, and which is accordingly shown in a category of MISCELLANEOUS INVESTMENTS. Some detail appears in Statement 25.

Canadian Direct Investment Abroad

Canadian direct investment abroad has continued to rise reflecting capital outflows and undistributed earnings. Details by area and industry at the end of 1959 and some earlier years appear in Statements 27 and 28, while the following section of this report discusses the underlying ownership and control of these investments by Canadians and non-residents. Influenced partly by the rising value of foreign currencies in terms of Canadian funds, the value of these Canadian direct investments abroad is estimated to have risen from $2.3 billion at the end of 1959 to $2.6 billion at the end of 1960. Canadian capital invested abroad in other forms is shown in Tables V and VII.

STATEMENT 27. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends 1949-59

Area	1949	1954	1958	1959
	millions of dollars			
United States	721	1,240	1,465	1,495
United Kingdom	59	119	201	265
Latin America	47	77	137	154
Other America	25	55	155	168
Africa	20	48	64	65
Europe	19	34	62	72[1]
Australia	25	40	56	65
Asia	10	15	35	25
Totals	**926**	**1,628**	**2,175**	**2,309**

[1] Includes 41 in European Economic Community (Common Market)

Note: For industrial distribution see Statement 28 and Table VII.

STATEMENT 28. Canadian Direct Investment Abroad, Industrial Detail, End of 1954 and 1959

Classification	United States		United Kingdom		Other Commonwealth countries		Other countries		Total	
	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959
	millions of dollars									
Railways	273	271	—	—	—	—	—	—	273	271
Other utilities	117	109	1	10	4	8	32	55	154	182
Industrial and commercial	695	874	118	253	74	120	57	126	944	1,373
Mining	39	43	—	—	60	152	34	61	133	256
Petroleum[1]	106	147	—	—	—	1	6	12	112	160
Financial	3	23	—	1	—	2	—	1	3	27
Other	7	28	—	1	—	8	2	3	9	40
Totals	**1,240**	**1,495**	**119**	**265**	**138**	**291**	**131**	**258**	**1,628**	**2,309**

[1] Excludes pipelines which account for most of "other utilities" in the United States.

Equity of Non-Residents in Canadian Assets Abroad

Non-residents of Canada have an important equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.[11] This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in Statement 29. The total capital at the disposition of Canadian direct investment companies abroad would be larger than is indicated by the total value of Canadian direct investments abroad which reflects only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

Total direct investments abroad of Canadian companies are frequently more significant for the Canadian balance of payments than the Canadian equity. For example, it is the total capital movements and the total income transfers arising from these investments that are relevant. Effect on the balance of payments is an important criterion for inclusion of investments abroad of Canadian companies.

[11] For a description of the statistical technique followed to derive estimates of foreign investment in Canada see, *Canada's International Investment Position 1926-1954*, page 67.

STATEMENT 29. Non-Resident Equity and Control of Canadian Direct Investments Abroad, Selected Year Ends, 1954-59

Item	End of 1954		End of 1957		End of 1958		End of 1959	
	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity								
United States residents	484	30	685	33	779	36	845	37
United Kingdom residents	85	5	85	4	92	4	101	4
Other non-residents	35	2	64	3	69	3	72	3
Sub-total: non-residents	**604**	**37**	**834**	**40**	**940**	**43**	**1,018**	**44**
Canadian residents	1,024	63	1,251	60	1,235	57	1,291	56
Totals	**1,628**	**100**	**2,085**	**100**	**2,175**	**100**	**2,309**	**100**
Control								
United States controlled Canadian companies	425	26	691	33	798	36	847	37
Other foreign controlled Canadian companies	21	1	29	2	36	2	44	2
Sub-totals: foreign control	**446**	**27**	**720**	**35**	**834**	**38**	**891**	**39**
Canadian controlled companies and resident Canadian individuals	1,182	73	1,365	65	1,341	62	1,418	61
Totals	**1,628**	**100**	**2,085**	**100**	**2,175**	**100**	**2,309**	**100**

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian investment abroad (and Canadian liabilities correspondingly reduced) because their international transactions are of no real relevance to the Canadian balance of payments. The group includes Canadian investment and holding companies wholly-owned abroad whose assets are also wholly situated abroad, the foreign ownership in some Canadian companies operating only abroad in which beneficial Canadian ownership is minor, and some subsidiaries abroad of operating companies wholly-owned abroad if the operations abroad are not directly related to the Canadian functions.

The investments outside of Canada referred to in the preceding paragraph amount to well over $3 billion, quite apart from the substantial assets held abroad by Canadian banks and insurance companies in respect of their liabilities to non-residents. Taking into account all types, the total investment abroad of Canadian corporations and institutions held beneficially for non-residents is of the order of $7.5 billion.

Foreign Ownership and Control of Canadian Industry

The estimates appearing in Tables XII to XVI and in the Statements in this section bring forward to the end of 1959 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce. In the two years for which data have become available since the last annual report in this series, there have continued to be slow but persistent growths in the relative positions of foreign capital in a number of the sectors measured. Foreign ownership of manufacturing has risen from 50 per cent to 51 per cent, while in mining and smelting the non-resident-owned proportions have risen from 56 per cent to 59 per cent with some very large increases reflecting the development of iron ore properties and ancillary facilities. There was also a small gain to 15 per cent in the non-resident-owned proportion of utilities other than railroads. In the petroleum and natural gas industry non-resident ownership was unchanged in relative terms at 63 per cent; Canadian ownership plays a bigger part in the distribution and marketing of natural gas than in petroleum. The declining role of foreign capital in railways, generally characteristic of the period since the beginning of World War II, continued, and is reflected in a reduction of the non-resident-owned proportion to 27 per cent. Taking into account the foregoing sectors and also merchandising and construction, non-resident ownership of these selected industries as a group remained unchanged at 34 per cent for the third successive year; the share of United States investors was 26 per cent.

Similar tendencies are evident in series covering foreign control of these sectors. In manufacturing this rose from 56 per cent to 57 per cent in the two year period, but foreign control of the petroleum and natural gas industry fell slightly to 75 per cent for the reason indicated above. Foreign control of the other sectors for which ownership ratios have been given above remained unchanged, as did the proportion for the whole group which was controlled 32 per cent by all non-residents and 26 per cent by residents of the United States.

Perhaps the most striking feature of these series, viewed in the perspective of a third of a century, embracing depression and boom, war and peace, is the consistency of the direction of the changes. Foreign ownership of Canadian manufacturing has inched up from 38 per cent in 1926 to 51 per cent in 1959 and control has gone from 35 per cent to 57 per cent. Foreign ownership of mining and smelting has also reflected an almost uninterrupted growth from 37 per cent in 1926 to 59 per cent in 1959 and control has risen from 38 per cent to 61 per cent. Apart from these industries there has developed a substantial petroleum and natural gas industry which is 63 per cent foreign owned and 75 per cent foreign controlled. On the other hand foreign ownership and control have both declined in railways and in other utilities. Since 1926 United States ownership has risen from 19 per cent to 26 per cent of the industries covered in these comparisons, while ownership by other non-residents has fallen relatively from 18 per cent to 8 per cent. United States control of the group has risen from 15 to 26 per cent, and control by residents of other countries from 2 per cent to 6 per cent. The marked disparity between the ownership and control ratios reflects inter alia the substantial repatriation of railway and other utility investments from the United Kingdom during the war.

Estimates of book values, upon which these ratios are based, will be found in Table XVI, and a summary of the changes in the five years ending 1959 is given in Statement 30. These reveal that much the major parts of the growth of manufacturing, of petroleum and natural gas, and of mining and smelting, are represented by increased ownership and control by non-residents of each of these industrial sectors. At the same time the predominant part of increased investment in railways, other utilities, and merchandising and construction, is represented by domestic capital.

Other light on the control of these industries is given in Statement 31, which also shows separately those parts of each sector represented by government enterprises at the end of 1948 and of 1959.

More detailed industry data for the ownership and control of Canadian industry appear in Table XV and in Statement 32 which cover most of the commodity-producing industries other than agriculture. In particular the figures show the marked variation in the degree of non-resident ownership and control in various types of manufacturing. Ten separate industrial groupings in manufacturing ar

isolated, and in the five years preceding 1959 non-resident ownership has grown faster than resident ownership in seven of these groups but has fallen in two. It ranges from 89 per cent in the case of the manufacture of automobiles and parts and 86 per cent in the case of rubber, to 25 per cent in the case of primary iron and steel and 22 per cent in textiles. In six of the ten groups non-resident ownership represents more than half the total. There is in addition a large group of companies classified in the table simply as "other manufacturing" but which accounts for nearly 46 per cent of all manufacturing; this group is 52 per cent foreign-owned, a proportion which has risen somewhat more than in the case of the ten identified groups as a whole.

STATEMENT 30. Ownership and Control of Selected Canadian Industries Net Change in Book Values, Five Years Ending 1959

Item	Manufacturing	Petroleum and natural gas	Mining and smelting	Railways	Other utilities	Merchandising and construction	Total
	billions of dollars						
Ownership							
United States	1.7	1.7	0.6	–0.2	0.5	0.2	4.5
Other foreign	0.5	0.3	0.2	0.1	0.1	0.1	1.3
Sub-totals	2.1	2.0	0.8	—	0.6	0.3	5.8
Canadian	1.2	1.0	0.4	1.1	3.0	3.1	9.8
Totals	**3.4**	**3.0**	**1.2**	**1.1**	**3.5**	**3.4**	**15.5**
Control							
United States	1.7	2.1	0.7	—	—	0.2	4.6
Other foreign	0.8	0.3	0.2	—	0.1	0.1	1.5
Sub-totals	2.4	2.4	0.9	—	0.1	0.3	6.1
Canadian	0.9	0.6	0.3	1.1	3.5	3.1	9.5
Totals	**3.4**	**3.0**	**1.2**	**1.1**	**3.5**	**3.4**	**15.5**

STATEMENT 31. Analysis of Control of Selected Canadian Industries, Year Ends 1948 and 1959

Industry classification	Controlled in					Controlled in				
	Total	Canada		United States	Other foreign	Total	Canada		United States	Other foreign
		Government enterprises	Private enterprises				Government enterprises	Private enterprises		
	billions of dollars					per cent				
End of 1948[1]										
Manufacturing	5.7	—	3.2	2.2	0.3	100	1	56	39	4
Mining and smelting	1.1	—	0.6	0.4	—	100	1	59	37	3
Railways	3.4	2.0	1.3	0.1	—	100	60	37	3	—
Other utilities	2.5	1.2	0.7	0.6	—	100	48	28	24	—
Merchandising[2] and construction	3.2	0.1	2.8	0.2	0.1	100	2	89	6	3
Totals of above	**15.8**	**3.3**	**8.6**	**3.5**	**0.4**	**100**	**21**	**54**	**22**	**3**
End of 1959										
Manufacturing	11.7	0.1	4.8	5.1	1.6	100	1	42	44	13
Petroleum and natural gas	5.5	0.1	1.2	3.7	0.3	100	2	23	69	6
Other mining and smelting	3.0	0.1	1.1	1.6	0.3	100	2	37	53	8
Railways	5.2	3.5	1.6	0.1	—	100	67	31	2	—
Other utilities	8.8	5.5	2.8	0.4	0.1	100	63	32	4	1
Merchandising[2] and construction	9.5	0.1	8.6	0.6	0.3	100	1	90	6	3
Totals of above	**43.7**	**9.4**	**20.2**	**11.5**	**2.5**	**100**	**22**	**46**	**26**	**6**

[1] Components of the petroleum and natural gas industry are not grouped separately. Concerns engaged in refining were classified under manufacturing. Those engaged primarily in exploration and development were included under mining and smelting. Concerns engaged primarily in transportation, whether by pipeline or other means, were shown as utilities, and those engaged primarily in marketing and distribution were included under merchandising. (The book value of the industry as a whole was estimated to be $0.4 billion in 1945 and $2.5 billion in 1954; comparable estimates for intervening years are not available.)

[2] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

STATEMENT 32. Ownership and Control of Selected Canadian Industries End of 1954, 1957 and 1959

Company classification	Foreign ownership			Foreign control		
	1954	1957	1959	1954	1957	1959
	per cent					
Manufacturing:						
Beverage	29	28	26	20	13	13
Rubber	78	84	86	93	97	98
Textiles	21	21	22	18	19	23
Pulp and paper	51	53	51	56	55	49
Agricultural machinery[1]	37	37	43	35	38	55
Automobiles and parts	78	78	89	95	95	97
Transportation equipment n.o.p.	34	47	58	36	67	73
Primary iron and steel	16	24	25	6	26	23
Electrical apparatus	70	70	74	77	77	81
Chemicals	64	62	61	75	75	77
Other manufacturing[2]	46	50	52	52	57	61
Sub-totals	47	50	51	51	56	57
Petroleum and natural gas	60	63	63	69	76	75
Mining:						
Smelting and refining of non-ferrous native ores	59	54	56	55	66	66
Other mining	55	56	60	49	59	59
Sub-totals	56	56	59	51	61	61
Totals of above industries	**51**	**54**	**56**	**55**	**61**	**63**

[1] Includes enterprises also engaged in the manufacture of other heavy equipment which tends to over-state foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.
[2] Includes "other enterprises".

In the briefer period of two years covered for the first time in this report, there were increases in non-resident ownership of seven of the ten specified manufacturing fields, while three fell. Among the larger changes were sharp growths in the proportions of the automobile and parts industry owned by non-residents, reflecting mainly the purchase of resident-owned interests, and in the transportation equipment industry n.o.p. reflecting in part some refinancing. In the case of "other manufacturing" non-resident ownership also rose in the two year period.

The large group of companies classified as "other manufacturing" shown in line 11 of Table XV is quite heterogeneous. The group is made up of industrial sub-groups which cannot be shown separately either because of difficulties of arriving at the total investment and consequently the Canadian investment from secondary sources outside of the records of international investments, or due to the need to avoid disclosing investments in individual enterprises. The value of the estimated total investment and the Canadian investment shown are therefore subject to some reservations because of the variety of sources which have had to be employed in estimating these investments.

The heterogeneous nature of the group is indicated by Statement 33 showing the industrial classification of the foreign investment in companies according to broad groups presented in Table IX. It will be observed that the group "other manufacturing" includes primary export industries such as the aluminum and lumber industries and a great variety of secondary industries mainly producing for the Canadian market, such as food, tobacco, building and construction materials and many kinds of machinery and metal processing

STATEMENT 33. Analysis of Foreign Investments in "Other Manufacturing" 1959 Shown in Line 11 of Table XV

	Owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Other vegetable products, including various foods and tobacco	244	103	22	369
Other animal products, including meat, dairy and leather products	115	7	6	128
Other wood products, including saw and other wood processing mills, furniture, and printing	205	28	11	244
Other iron products, including non-agricultural machinery and metal fabricating	559	51	76	686
Other non-ferrous metal products, including aluminum and metal fabricating	589	164	13	766
Non-metallic minerals, including cement, glass, and other building materials and products	142	45	40	227
Miscellaneous	86	5	1	92
Other enterprises	225	45	14	284
Totals, other manufacturing	**2,165**	**448**	**183**	**2,796**

Ownership of the petroleum and natural gas industry has increased only moderately from 60 per cent to 63 per cent in the five years ending 1959 reflecting in part, as has already been noted, the more recent growth of the natural gas industry in which Canadian capital plays an important part. Smelting and refining of non-ferrous native ores shows some decline in non-resident ownership over the five year period, although for the most part this reflects the reclassification of investment in a Crown corporation from "other mining". Over the more recent two-year period non-resident ownership has increased, and this is true of other mining and of mining as a whole in the case of both periods. Included in the figures, but spread over the two sub-divisions is the Canadian uranium industry about three-fifths of the book value of which is Canadian owned and somewhat more than half of which is Canadian controlled.

Corresponding figures measuring foreign control of Canadian industry indicate that over the five years from 1954 to 1959 non-resident control has risen in eight of the groups shown separately and fallen in two. It ranges from 98 per cent in the case of rubber manufacturing and 97 per cent in the case of automobiles and parts, to 23 per cent in the case of primary iron and steel and of textiles and 13 per cent in the case of beverages. In addition non-resident control of the "other manufacturing" category has risen and is now 61 per cent.

Again in the more recent period of two years there have been increases in seven of the ten manufacturing industries shown, as well as in the other manufacturing category, and decreases in two. One of the latter is the pulp and paper category, and it may be noted that the decline here is practically all due to corporate mergers as a result of which large operations formerly attributed to "other wood and products" industries are included with pulp and paper under the statistical procedures described in the accompanying note. Foreign ownership and control of the agricultural machinery group of companies have both been growing but it should be noted that the category includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate the foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

Foreign control of the petroleum and natural gas industry as a whole has risen over the five year period, but has been falling somewhat recently as the natural gas industry which tends to be more heavily financed and controlled in Canada has grown. The foreign control of Canadian smelting and refining and of other mining has also risen over the five year period but has been relatively unchanged over the last two years of it.

Taking the three main groups, manufacturing, petroleum and natural gas, and mining, as a whole, non-resident ownership has risen by 5 percentage points in the five year period and to 56 per cent at the end of 1959. Foreign control has risen by 8 percentage points in the five year period to 63 per cent. In each case two percentage points of the growth occurred in the more recent two year period.

About the figures –

Estimated Values of Total Capital and Resident-owned Capital in Some Areas of National Wealth

(as used in Statements 30 to 32 and Tables XII and XIV to XVI)

This note describes the method whereby figures of foreign investment in Canada are related to the aggregate capital value of selected Canadian industries, since there are certain statistical problems of great difficulty involved.

It is pointed out that estimates of all capital invested in Canadian industry are only possible for some separate industrial subdivisions. This is because of the limiting factors inherent in using corporate financial data originating from different sources. The other important aspect of the data to bear in mind is that the statistics on investments in industry which have been presented only cover that sector of Canada's National Wealth. Not covered are large sectors of Canadian wealth which are predominantly Canadian owned and controlled such as investments in agriculture and social capital, other kinds of personal property and Canadian investments outside of Canada.

Briefly, while the principal source of the Bureau's estimates of the foreign investment position is the capital structure reflected on **Consolidated** Balance Sheets of **enterprises** classified according to the principal activity pursued, the source utilized most extensively for estimating the comparable aggregate capital value of selected Canadian industries is the summation of **Unconsolidated** Balance Sheets of fully tabulated **companies** found in *Taxation Statistics*, as compiled by the Department of National Revenue, classified according to the activity of the individual company. Additional difficulties of comparison arise from variations in accounting practices, in reporting dates, in the classifications of incorporated enterprises, and the inclusion or exclusion of non-corporate enterprises, Crown corporations, and of foreign branches and subsidiaries. These necessitate further adjustments in order to provide a more accurate statistical basis for comparison. The balance of this note is devoted to a more detailed description of these problems.

For some years past the Balance of Payments Section has made estimates of the book value of the aggregate investment in selected Canadian industries, for comparison with corresponding values of foreign investment in Canada compiled within the Section. These figures are in turn the basis of estimated percentages of the industries owned or controlled by non-residents. Considerable difficulty is experienced in producing the estimates and only limited resources can be made available for this area of research. In developing a method consideration has had to be given to changing sources of information and forms of presentation over the period covered. Comparability of results has been preserved as far as possible. But it should be emphasized that the data are approximations arrived at through the combination of a number of series whose coverage and comparability may in some cases be open to question. Nevertheless it is considered that the material will be of value to readers in assessing the relative positions of domestic and foreign capital in some areas of the economy.

In the post-war years the series have made extensive use of the Condensed Balance Sheets published by the Department of National Revenue in the annual report on Taxation Statistics. As this material does not become available for a considerable period after the time to which it relates, the Bureau's series involving Canadian as well as foreign investment cannot be produced as currently as statistics of international investment. The Condensed Balance Sheet figures are not ideal for estimating the total value of selected Canadian industries comparable to the foreign investment record. Corporations are not permitted by the Department of National Revenue to file consolidated reports, while for obvious reasons consolidated balance sheets are used wherever possible in the records of international investment. One of the first problems encountered therefore is to convert the summations of balance sheets appearing in Taxation Statistics to a corresponding consolidated balance sheet basis.

For this purpose the general procedure has been to total the items of funded debt, capital stock, and surplus less deficit, and to subtract from the total the investment in subsidiaries and in non-Government securities. Study of the descriptions of these items appearing in Taxation Statistics will reveal that the method followed will approximate the book value approach used in the international investment statistics, although it will be understated through the elimination of certain elements such as the short-term component of investment in affiliated, subsidiary or allied companies, and obligations of the non-corporate sector, and by the amount of agreements for sale and other contractual corporate obligations having a term of one year or less. But on the other hand there may be offsetting elements of coverage within the estimates. The procedure followed results in a book value series which excludes all investment in foreign subsidiaries. (Where the enterprise involves a Canadian holding company classified as such in Taxation Statistics, the foreign subsidiaries will not be reflected in the industrial groups used in the series. Where an operating company has a foreign subsidiary it will have been eliminated from the aggregate value through the deduction of the investment in all subsidiaries.) This does not apply, however, to unincorporated branches abroad, but these fortunately are not large in relation to the magnitudes under discussion.

Subject to the exceptions mentioned in the preceding paragraph, which are probably of relatively limited significance, the broad aggregate series are comparable in concept although there is a difference in timing. The balance sheet data published in Taxation Statistics cover all fiscal years ending within a calendar year. The international investment statistics on the other hand are based on the calendar year end or the fiscal year end falling between June 1 of the year and May 30 of the next year.

The differing stages of consolidation and classification used in the compilation of Taxation Statistics and of the Bureau's records of international investment create other problems, but these affect the totals less in the case of the broad industrial groups than in the finer subdivisions where there is greater danger of lack of comparability. In the statistics of international investment the entire enterprise is allocated industrially

on the basis of the principal activity. Because the balance sheets used in Taxation Statistics are unconsolidated, if there is more than one firm in the enterprise the aggregate book value (as adjusted) may be spread over a number of classifications in the latter series. A somewhat similar problem arises in respect of holding companies classified as such in Taxation Statistics. This group is not used in the construction of the aggregate value series, as Canadian subsidiaries will themselves appear elsewhere in Taxation Statistics. To the extent however, that the holding company itself may hold significant working capital in addition to investments in operating subsidiaries this capital will not appear in the aggregate series. It is not possible as a general rule to overcome these problems other than through the overall adjustments mentioned later, although occasionally it has been apparent from a comparison of the material that an entire enterprise has been classified differently in the two series and in these instances specific corrections have been made.

Further adjustments are made to the adjusted consolidated balance sheet data. For example, long-term loans and advances to the companies covered in the Bureau's records are added, as well as allowances for Crown corporations and other classes of investment not included in the companies fully tabulated in Taxation Statistics. The calculation of many of these items is complicated and involves a considerable amount of research. The figures are increased where appropriate, on the basis of available data, to allow for investment represented by individual ownerships, partnerships and cooperatives. An adjustment is made in the case of unincorporated branches in Canada of foreign petroleum companies where the basis of reporting to the Bureau leads to figures significantly higher than those derived from Taxation Statistics. In the case of public utilities other than railways, additions are made in respect of government and municipal enterprises, either on the basis of balance sheet data or of relevant funded debt where balance sheet values are not available. The figures of foreign investment used in relation to these series are consequently larger than those generally shown for investment in other utilities by reason of the foreign-owned part of this funded debt of governments or municipalities.

Figures for the total value of investment in railways and in merchandising do not make use of Taxation Statistics. The railway figure is compiled independently from balance sheet data. The figure for merchandising is also an independent estimate but is founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

In compiling the aggregate data for the sub-classifications appearing in Table XV it has been apparent that in some cases differing classification either of an enterprise as a whole or of major component firms invalidated comparison with the Bureau's records. This type of disparity tended to arise particularly in some of the industry sub-classifications where vertical integration or ancillary activities of the corporations would be typical. In such cases where the total domestic and foreign capital invested in companies covered in the Bureau's series was larger, and where it appeared that the Bureau's records of companies in which foreign capital was invested would cover most of the field, the aggregate series was adjusted upwards to correspond.

Figures of total capital for selected industries for 1926, 1930, and 1939 were derived from "capital employed" statistics available for most industries from annual returns to the Bureau until discontinued after 1943.

It should again be emphasized that the series and comparisons cover only selected Canadian industries, and that there are other broad areas of national wealth including, for example, agriculture and social capital, in which non-resident ownership and control is relatively insignificant. The financial book value series which appear in this report include land, inventories, and financial working capital in addition to the net stock of capital represented by expenditure on construction, machinery and equipment; for this reason and because of varying methods of reflecting capital consumption and changes in price levels, they are not directly comparable with other estimates of capital formation and of the stock of capital. As some indication of the magnitude of national wealth falling outside the areas encompassed within the above ratios, it is of interest to note that the net stock of social capital (government, housing and institutions) has been estimated as being not greatly smaller than the net stock of industrial capital (including agriculture).[12] And there are still other important areas of Canadian wealth such as Canada's external investments, not to mention the significant savings represented by ownership of automobiles and other durables, non-industrial land and such intangible social investment as education.

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[12] Wm. C. Hood and Anthony Scott: *Output, Labour and Capital in the Canadian Economy* (A Study for the Royal Commission on Canada's Economic Prospects). pp. 450-451.

BALANCE OF PAYMENTS PRESENTATIONS

The balance of payments has been defined by the International Monetary Fund[13] as a system of accounts to record systematically (1) flows of real resources, including the services of the original factors of production, between the domestic economy of a country and the rest of the world, (2) changes in the country's foreign assets and liabilities that arise from economic transactions, and (3) transfer payments, which are the counterpart of real resources or financial items provided to, or received from, the rest of the world without any quid pro quo. Canadian balance of payments statistics conform in most respects to internationally accepted concepts.[14]

The balance of payments, as a system of accounts, lends itself to a variety of possible arrangements to serve various analytic ends. The basic presentation retained in Canadian publications emphasizes the aspects of international economic relations set out in the preceding paragraph. The current account deficit is a measure of the extent to which Canada draws on balance on the real resources of the rest of the world to provide for consumption and investment. The capital account shows the financing involved in this process, and indicates the changes in Canada's external assets and liabilities arising from financial transactions as well. This presentation is particularly suited to Canada's circumstances, and draws attention on the whole to rather longer term implications of Canada's characteristic balance of payments.

Other presentations may be more suitable under different circumstances. When transfer payments are of greater relative significance in the balance of payments than is currently the case in Canada, they are given greater prominence in the statistical presentation. Thus, for the wartime period when great transfer payments were made by Canada to finance external costs of the war efforts of allies, they were shown in a category separate from the current account. When short-run adjustments in a nation's external accounts are reflected largely in variations in the level of official holdings of gold and foreign exchange, these are given special prominence. Thus, when Canada adhered to fixed exchange rates and adjustment of Canada's external accounts was achieved largely by direct controls and by changes in official holdings of gold and foreign exchange, these changes were shown as the residual total of all Canada's current and other capital transactions.

This concept of international liquidity is also of great importance to countries whose currencies are widely held as international reserves, and varying combinations of short-term liabilities and assets are segregated from the rest of the balance of payments to leave a key figure which is sometimes referred to as "the" balance of payments. Thus, attention in the United States tends to be focused on the substantial increases of foreign gold and liquid dollar assets through transactions with the United States, while in contrast in Canada it tends to be focused on the recurring large current account deficits and their effect on Canada's foreign indebtedness. This financing is largely in long-term forms, and although Canada's current deficit (including transfer payments) is relatively many times that of the United States, the liquidity aspect is of much less significance at the present time than the size. These preoccupations emphasize the difference in the balance of payments "problems" and the character of any relevant policy decisions for the two countries.

Yet another presentation of the balance of payments is appropriate for analysis of exchange rate fluctuations. For this purpose it would be most useful to rank all balance of payments transactions in order from those which are least, to those which are most, responsive to exchange rate considerations. A balance of payments statement presented on this basis showing the changing primary forces of supply and demand acting on the exchange rate, and the reactions of other items serving in an equilibrating role, will go some way towards explaining fluctuations in the rate. But in practice this subjective division can be extremely difficult. Two examples of the difficulties may suffice. Particular categories of transactions may at one time tend to play an equilibrating role in the exchange market, but at another an autonomous one, e.g., sales of Canadian bonds have sometimes occurred because of exchange rate considerations, and at other times despite them. And an intimate knowledge of the basic data reveals that a given category may contain at the same time a mixture of both autonomous and induced transactions, e.g. the flow of direct investment capital, often thought to be practically uninfluenced by short-run exchange rate changes, may be speeded up through transfers in excess of immediate requirements or deferred through temporary local borrowing because of exchange rate expectations.

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[13] Balance of Payments Manual, Third Edition, July 1961.

[14] The flow of real resources and transfer payments are combined in the current account in Canadian data, but the major transfer payments may be readily segregated, comprising items A7, B7, B9 and B10 in their entirety, and the personal and institutional remittances included in items A11 and B11 as shown in Statement 11.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1959 and 1960

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
		1959	1960[P]	1959	1960[P]	1959	1960[P]	1959	1960[P]	1959	1960[P]	1959	1960[P]
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	5,150	5,400	3,191	3,039	781	924	288	340	449	599	441	498
2	Mutual Aid to NATO countries	63	43	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	148	162	148	162	—	—	—	—	—	—	—	—
4	Travel expenditures	391	420	351	375	18	20	6	6	11	13	5	6
5	Interest and dividends	182	178	99	105	35	34	28	18	11	11	9	10
6	Freight and shipping	420	442	228	220	80	93	26	31	49	57	37	41
7	Inheritances and immigrants' funds	109	102	52	50	26	26	7	6	16	15	8	5
11	All other current receipts	392	420	311	330	43	50	7	8	20	20	11	12
12	**Total current receipts**	**6,855**	**7,167**	**4,380**	**4,281**	**983**	**1,147**	**362**	**409**	**556**	**715**	**511**	**572**
B	**Current payments:**												
1	Merchandise imports (adjusted)	5,572	5,545	3,727	3,715	618	611	263	284	364	371	600	564
4	Travel expenditures	598	627	448	462	62	70	13	14	60	65	15	16
5	Interest and dividends	671	669	547	548	90	81	1	1	31	37	2	2
6	Freight and shipping	525	533	326	324	85	89	3	4	95	99	16	17
7	Inheritances and emigrants' funds	165	181	123	141	26	25	3	2	11	11	2	2
9	Official contributions	72	60	—	—	—	3	64	41	1	4	7	12
10	Mutual Aid to NATO countries	63	43	..	..	..	..	..	..	..	..	..	..
11	All other current payments	693	726	439	447	89	97	17	18	114	129	34	35
12	**Total current payments**	**8,359**	**8,384**	**5,610**	**5,637**	**970**	**976**	**364**	**364**	**676**	**716**	**676**	**648**
	Balance on merchandise trade	− 422	− 145	− 536	− 676	+163	+313	+25	+56	+ 85	+228	−159	−66
	Balance on other transactions, excluding B9	−1,010	−1,012	− 694	− 680	−150	−139	+37	+30	−204	−225	+ 1	+ 2
	Official contributions	− 72	− 60	—	—	—	− 3	−64	−41	− 1	− 4	− 7	−12
C	**Current account balance**	**−1,504**	**−1,217**	**−1,230**	**−1,356**	**+ 13**	**+171**	**− 2**	**+45**	**−120**	**− 1**	**−165**	**−76**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 550	+ 645	+ 424	+ 437	+ 87	+119	− 1	+ 5	+ 40	+ 83	. —	+ 1
2	Direct investment abroad	− 80	− 85	− 7	− 48	− 44	− 15	− 8	− 4	− 5	− 15	− 16	− 3
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 91	+ 3	+ 19	− 9	+ 4	− 13	—	—	+ 64	+ 25	+ 4	—
3b	Trade in outstanding common and preference stocks	+ 110	+ 49	+ 75	+ 54	+ 7	− 16	—	—	+ 28	+ 11	—	—
4	New issues	+ 707	+ 447	+ 622	+ 381	+ 45	+ 26	—	—	+ 40	+ 39	—	+ 1
5	Retirements	− 258	− 253	− 211	− 200	− 30	− 27	—	—	− 16	− 25	− 1	− 1
	Foreign securities:												
6	Trade in outstanding issues	− 32	− 20	− 34	+ 4	+ 2	− 3	—	—	—	− 1	—	−20
7	New issues	− 13	− 18	− 8	− 13	—	—	—	− 1	—	—	− 5	− 4
8	Retirements	+ 12	+ 18	+ 6	+ 12	—	—	+ 2	+ 1	—	—	+ 4	+ 5
	Loans by Government of Canada:												
9	Drawings	− 1	—	—	—	—	—	− 1	—	—	—	—	—
10	Repayment of post-war loans	+ 34	+ 32	—	—	+ 16	+ 17	—	—	+ 18	+ 15	—	—
11	Repayment of war loans	—	—	—	—	—	—	—	—	—	—	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies	− 59	− 3	− 59	− 3	—	—	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	+ 13	+ 120	+ 8	+ 60	− 10	+ 9	− 9	− 3	+ 10	+ 7	+ 14	+47
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	+ 70	+ 39	+ 67	+ 39	+ 3	—	—	—	—	—	—	—
17	Other capital movements	+ 360	+ 243	+ 447	+ 265	+ 17	− 44	−23	+ 7	− 74	+ 23	− 7	− 8
	Net capital movement	**+1,504**	**+1,217**	**+1,349**	**+ 979**	**+ 97**	**+ 53**	**−40**	**+ 5**	**+105**	**+162**	**− 7**	**+18**
	Balance settled by exchange transfers	—	—	− 119	+ 377	−110	−224	+42	−50	+ 15	−161	+172	+58
	Total financing of current account balance (item C)	**+1,504**	**+1,217**	**+1,230**	**+1,356**	**− 13**	**−171**	**+ 2**	**−45**	**+120**	**+ 1**	**+165**	**+76**

Notes: Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other OEEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area: namely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IBRD, IFC and IMF and all other countries not specified above.

2, B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

13 International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.

17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960[p]
		millions of dollars														
A	**Current receipts:**															
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,400
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	391	420
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	168	182	178
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	420	442
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	97	109	102
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	392	428
12	**Total current receipts**	**3,365**	**3,748**	**4,147**	**4,089**	**4,297**	**5,311**	**5,858**	**5,737**	**5,520**	**6,072**	**6,621**	**6,622**	**6,579**	**6,855**	**7,167**
B	**Current payments:**															
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,541
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	542	598	629
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	671	669
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	525	539
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	145	165	189
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	40	53	72	69
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	693	728
12	**Total current payments**	**3,002**	**3,699**	**3,696**	**3,912**	**4,631**	**5,828**	**5,694**	**6,180**	**5,952**	**6,770**	**7,987**	**8,077**	**7,710**	**8,359**	**8,387**
	Balance on merchandise trade	**+571**	**+188**	**+432**	**+293**	**+ 10**	**−147**	**+489**	**− 58**	**+ 13**	**−211**	**− 728**	**− 594**	**− 179**	**− 422**	**− 169**
	Balance on other transactions, excluding B9	−111	−101	+ 42	−110	−339	−361	−309	−360	−434	−463	− 608	− 821	− 899	−1,010	−1,013
	Official contributions	− 97	− 38	− 23	− 6	− 5	− 9	− 16	− 25	− 11	− 24	− 30	− 40	− 53	− 72	− 69
C	**Current account balance**	**+363**	**+ 49**	**+ 451**	**+177**	**−334**	**−517**	**+164**	**−443**	**−432**	**−698**	**−1,366**	**−1,455**	**−1,131**	**−1,504**	**−1,251**
D	**Capital account:**															
	Direct investment:															
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+222	+309	+346	+426	+392	+417	+ 583	+ 514	+ 420	+ 550	+ 696
2	Direct investment abroad	− 14	+ 6	+ 15	+ 13	+ 36	− 20	− 77	− 63	− 81	− 74	− 104	− 68	− 48	− 80	− 96
	Canadian securities:															
3a	Trade in outstanding bonds and debentures	+194	− 13	+ 3	+ 8	+329	+ 38	−166	− 52	− 66	−165	+ 11	− 45	—	+ 91	+ 4
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+129	+138	+ 188	+ 137	+ 88	+ 110	+ 140
4	New issues	+218	+ 95	+150	+105	+210	+411	+316	+335	+331	+166	+ 667	+ 798	+ 677	+ 707	+ 454
5	Retirements	−539	−364	−114	−147	−284	−184	− 89	−146	−203	−184	− 141	− 133	− 158	− 258	− 230
	Foreign securities:															
6	Trade in outstanding issues	+ 25	+ 1	− 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 24	+ 13	− 32	− 15
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 20	− 23	− 33	− 48	− 18	− 24	− 17	− 13	− 13
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	—	+ 6	+ 7	+ 12	+ 14
	Loans by Government of Canada:															
9	Drawings	−750	−565	−142	−120	− 50	—	—	—	—	—	—	—	− 34	− 1	
10	Repayment of post-war loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 20	+ 34	+ 34	+ 34
11	Repayment of war loans	+ 94	+109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	—	
13	Subscriptions in gold and U.S. dollars to international financial agencies	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	− 59	− 15
14	Change in Canadian dollar holdings of foreigners	+ 70	− 26	− 21	+ 40	+233	−192	− 66	− 18	+ 34	+ 89	− 24	− 35	+ 106	+ 13	+ 13
16	Change in official holdings of gold and foreign exchange (increase, minus)	+267	+742	−492	−128	−722	− 56	− 37	+ 38	−124	+ 44	− 33	+ 105	− 109	+ 70	+ 70
17	Other capital movements	+ 31	− 27	+ 7	− 80	+210	+128	−511	−185	− 28	+204	+ 152	+ 126	+ 122	+ 360	+ 1
E	**Net capital movement**	**−363**	**− 49**	**−451**	**−177**	**+334**	**+517**	**−164**	**+443**	**+432**	**+698**	**+1,366**	**+1,455**	**+1,131**	**+1,504**	**+1,251**

Notes: AB 11 Includes receipts of $24 million and payments of $127 million for war services in 1946.
D17 Includes for years 1946 to 1950 transactions shown separately under items D 12 and 15 in "The Canadian Balance of International Payments in the Post-War Years, 1946-1952".
A—G For other notes applicable to this table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960P
		millions of dollars														
	Current receipts:															
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931	2,908	3,191	3,039
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351	375
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	99	105
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	222	206	228	220
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	52	50
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	303	280	311	330
12	**Total current receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**4,015**	**4,070**	**4,010**	**4,380**	**4,281**
	Current payments:															
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878	3,443	3,727	3,715
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	448	462
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	547	548
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	326	324
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104	123	141
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	439	447
12	**Total current payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,654**	**5,649**	**5,186**	**5,610**	**5,637**
	Balance on merchandise trade	−430	−890	−289	−378	− 47	−516	− 471	−588	−445	− 685	−1,167	− 947	− 535	− 536	− 676
	Balance on other transactions	−177	− 244	−104	−223	−353	−435	− 378	−316	−362	− 350	− 472	− 632	− 641	− 694	− 680
	Current account balance	**−607**	**−1,134**	**−393**	**−601**	**−400**	**−951**	**− 849**	**−904**	**−807**	**−1,035**	**−1,639**	**−1,579**	**−1,176**	**−1,230**	**−1,356**
	Capital account:															
	Direct investment:															
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+200	+270	+319	+346	+288	+ 306	+ 406	+ 390	+ 303	+ 424	+ 437
2	Direct investment abroad	− 7	+ 6	+ 15	+ 16	+ 41	− 4	− 42	− 33	− 46	− 56	− 70	− 35	− 3	− 7	− 48
	Canadian securities:															
3a	Trade in outstanding bonds and debentures	+241	− 3	+ 5	+ 25	+362	+ 20	− 170	− 85	− 87	− 159	− 35	− 70	− 10	+ 19	− 9
3b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 75	+ 54
4	New issues	+218	+ 95	+150	+105	+210	+404	+ 315	+322	+299	+ 127	+ 601	+ 722	+ 600	+ 622	+ 381
5	Retirements	−460	− 313	− 96	−136	−263	−159	− 75	−132	−184	− 169	− 133	− 105	− 132	− 211	− 200
	Foreign securities:															
6	Trade in outstanding issues	+ 21	− 2	− 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	− 34	+ 4
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 5	− 18	− 3	− 8	− 13	− 15	− 13	− 8	− 13
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—	+ 4	+ 4	+ 6	+ 12
9	Subscriptions in gold and U.S. dollars to international financial agencies	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	− 59	− 3
10	Change in Canadian dollar holdings of foreigners	+ 27	− 3	− 14	− 8	+ 89	− 53	− 37	− 1	+ 19	+ 66	− 48	− 10	+ 83	+ 8	+ 60
11	Change in official holdings of gold and U.S. dollars (increase, minus)	+251	+ 743	−496	−134	−694	− 39	− 80	+ 42	−121	+ 42	− 34	+ 104	− 108	+ 67	+ 39
12	Other capital movements	+ 8	− 2	+ 1	− 38	+249	+ 59	− 458	−223	+ 18	+ 151	+ 107	+ 58	+ 147	+ + 447	+ 265
	Net capital movement	**+331**	**+ 505**	**−385**	**− 70**	**+267**	**+515**	**− 158**	**+244**	**+277**	**+ 425**	**+ 856**	**+1,068**	**+ 952**	**+1,349**	**+ 979**
	Balance settled by exchange transfers	**+276**	**+ 629**	**+778**	**+671**	**+133**	**+436**	**+1,007**	**+660**	**+530**	**+ 610**	**+ 783**	**+ 511**	**+ 224**	**− 119**	**+ + 377**
	Total financing of current account balance (item C)	**+607**	**+1,134**	**+393**	**+601**	**+400**	**+951**	**+ 849**	**+904**	**+807**	**+1,035**	**+1,639**	**+1,579**	**+1,176**	**+1,230**	**+1,356**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60 — Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960[p]
		millions of dollars														
A	**Current receipts:**															
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	818	734	766	781	92
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	18	2
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	35	3
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	80	9
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	26	2
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	43	5
12	**Total current receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,015**	**938**	**960**	**983**	**1,14**
B	**Current payments:**															
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520	537	618	61
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	62	7
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	90	8
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	85	8
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	26	2
9	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	89	9
12	**Total current payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	**763**	**820**	**856**	**970**	**97**
	Balance on merchandise trade	+488	+567	+416	+401	+70	+219	+377	+193	+269	+366	+325	+214	+229	+163	+3
	Balance on other transactions, excluding B9	+ 12	+ 66	+ 70	+ 45	−46	+ 4	+ 11	− 60	− 40	− 36	− 73	− 96	−125	−150	−1
	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-
C	**Current account balance**	**+500**	**+633**	**+486**	**+446**	**+24**	**+223**	**+388**	**+133**	**+229**	**+330**	**+252**	**+118**	**+104**	**+ 13**	**+1**

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	**Current receipts:**															
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	256	246	299	288	
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	6	
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	28	
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	26	
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4	4	5	8	13	7	
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	7	
12	**Total current receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	**324**	**315**	**363**	**362**	
B	**Current payments:**															
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	222	239	212	263	
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	13	
5	Interest and dividends	1	1	1	1	—	—	—	—	—	1	1	1	1	1	
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2	3	3	
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1	1	1	2	2	3	
9	Official contributions	5	—	—	—	—	—	15	18	8	22	28	38	49	64	
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	17	
12	**Total current payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	**276**	**311**	**294**	**364**	
	Balance on merchandise trade	+140	+206	+101	+113	−43	−45	+108	+79	+23	+43	+34	+ 7	+87	+25	
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+20	+21	+ 21	+22	+29	+39	+42	+35	+31	+37	
	Official contributions	− 5	—	—	—	—	—	− 15	−18	− 8	−22	−28	−38	−49	−64	
C	**Current account balance**	**+164**	**+242**	**+129**	**+135**	**−23**	**−24**	**+114**	**+83**	**+44**	**+60**	**+48**	**+ 4**	**+69**	**− 2**	

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60 — Concluded

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960[p]
		millions of dollars														
	Current account balance	+664	+875	+615	+581	+ 1	+199	+502	+216	+273	+390	+300	+122	+173	+11	+216
	Capital account:															
	Direct investment:															
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 91	+86	+124
2	Direct investment abroad	− 10	− 3	− 2	− 3	− 4	− 6	− 19	− 22	− 23	− 9	− 27	− 11	− 16	−52	− 19
	Canadian securities:															
3a	Trade in outstanding bonds and debentures							+ 3	+ 20	—	− 2	+ 11	—	+ 3	+ 4	− 13
3b	Trade in outstanding common and preference stocks	− 48	− 11	− 4	− 16	− 35	− 16	− 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4	+ 7	− 16
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+ 41	+45	+ 26
5	Retirements	− 77	− 42	− 14	− 10	− 19	− 24	− 9	− 11	− 17	− 11	− 2	− 21	− 16	−30	− 27
	Foreign securities:															
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	− 9	+ 4	+ 2	+ 2	+ 2	− 3
7	New issue	—	—	—	—	—	—	—	—	− 1	− 21	—	—	—	—	− 1
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—	—	+ 1	+ 2	+ 1
	Loans by Government of Canada:															
9	Drawings	−540	−423	− 52	−120	− 50	—	—	—	—	—	—	—	− 34	− 1	—
10	Repayment of post-war loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	—	+ 16	+16	+ 17
11	Repayment of war loans	+ 89	+104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	—	—
14	Change in Canadian dollar holdings of foreigners	+ 32	− 4	− 20	+ 62	+116	−128	− 22	− 17	+ 6	+ 11	+ 14	− 20	+ 9	−19	+ 6
16	Change in official holding of sterling (increase, minus)	+ 16	− 1	+ 4	+ 6	− 28	− 17	+ 43	− 4	− 3	+ 2	+ 1	+ 1	− 1	+ 3	—
17	Other capital movements	+ 39	+ 16	+ 18	− 27	− 39	+ 82	− 62	+ 37	− 32	+ 60	+ 9	+ 33	− 39	− 6	− 37
	Net capital movement	−491	−357	+ 7	− 87	+ 13	− 23	− 16	+129	+ 94	+177	+261	+228	+ 91	+57	+ 58
	Balance settled by exchange transfers:															
	Official settlements	−150	−505	−597	−466	+ 4	−165	−486	−345	−367	−567	−561	−350	−264	−68	−274
	Private settlements	− 23	− 13	− 25	− 28	− 18	− 11									
	Total financing of current account balance (item C)	−664	−875	−615	−581	− 1	−199	−502	−216	−273	−390	−300	−122	−173	−11	−216

TABLE III. Current Account Between Canada and All Countries, 1926-60

Year	Current receipts[1]	Current payments[2]	Net balance including Mutual Aid exports	Wartime Grants and Mutual Aid	Net balance on current account indicating net movement of capital
	millions of dollars				
6	1,665	1,538	+ 127	—	+ 127
7	1,633	1,643	− 10	—	− 10
8	1,788	1,820	− 32	—	− 32
9	1,646	1,957	− 311	—	− 311
0	1,297	1,634	− 337	—	− 337
1	972	1,146	− 174	—	− 174
2	808	904	− 96	—	− 96
3	829	831	− 2	—	− 2
4	1,020	952	+ 68	—	+ 68
5	1,145	1,020	+ 125	—	+ 125
6	1,430	1,186	+ 244	—	+ 244
7	1,593	1,413	+ 180	—	+ 180
8	1,361	1,261	+ 100	—	+ 100
9	1,457	1,331	+ 126	—	+ 126
0	1,776	1,627	+ 149	—	+ 149
1	2,458	1,967	+ 491	—	+ 491
2	3,376	2,275	+1,101	−1,002	+ 99
3	4,064	2,858	+1,206	− 518	+ 688
4	4,557	3,539	+1,018	− 960	+ 58
5	4,456	2,910	+1,546	− 858	+ 688
6	3,365	2,905	+ 460	− 97	+ 363
7	3,748	3,699	+ 49	—	+ 49
8	4,147	3,696	+ 451	—	+ 451
9	4,089	3,912	+ 177	—	+ 177
0	4,297	4,574	− 277	− 57	− 334
1	5,311	5,683	− 372	− 145	− 517
2	5,858	5,494	+ 364	− 200	+ 164
3	5,737	5,934	− 197	− 246	− 443
4	5,520	5,668	− 148	− 284	− 432
5	6,072	6,548	− 476	− 222	− 698
6	6,621	7,830	−1,209	− 157	−1,366
7	6,622	7,970	−1,348	− 107	−1,455
8	6,579	7,568	− 989	− 142	−1,131
9	6,855	8,296	−1,441	− 63	−1,504
0	7,167	8,341	−1,174	− 43	−1,217

[1] Including Mutual Aid exports.
[2] Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1958 I	1958 II	1958 III	1958 IV	1959 I	1959 II	1959 III	1959 IV	1960p I	1960p II	1960p III	1960p IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	1,084	1,277	1,219	1,307	1,060	1,355	1,286	1,449	1,283	1,323	1,400	1,39
3	Gold production available for export	44	39	39	38	37	41	33	37	44	35	42	4
4	Travel expenditures	32	76	186	55	32	85	213	61	36	91	221	7
5	Interest and dividends	31	38	29	70	30	43	40	69	36	40	36	6
6	Freight and shipping	98	102	98	103	93	112	105	110	102	115	118	10
7	Inheritances and immigrants' funds	18	27	26	26	18	34	33	24	18	29	31	2
11	All other current receipts	96	91	87	101	94	95	106	97	100	107	111	10
12	**Total current receipts**	**1,403**	**1,650**	**1,684**	**1,700**	**1,364**	**1,765**	**1,816**	**1,847**	**1,619**	**1,740**	**1,959**	**1,80**
B	**Current payments:**												
1	Merchandise imports (adjusted)	1,154	1,361	1,202	1,349	1,218	1,551	1,380	1,423	1,327	1,510	1,318	1,39
4	Travel expenditures	100	140	191	111	117	144	216	121	119	168	213	12
5	Interest and dividends	126	136	151	199	145	153	151	222	149	164	161	19
6	Freight and shipping	95	114	127	124	99	133	149	144	114	137	141	14
7	Inheritances and emigrants' funds	29	36	39	41	31	39	47	48	38	43	50	5
9	Official contributions	12	18	12	11	9	22	22	19	10	10	16	2
11	All other current payments	179	176	169	166	173	174	173	173	183	178	182	18
12	**Total current payments**	**1,695**	**1,981**	**1,891**	**2,001**	**1,792**	**2,216**	**2,138**	**2,150**	**1,940**	**2,210**	**2,081**	**2,11**
	Balance on merchandise trade	- 70	- 84	+ 17	- 42	-158	-196	- 94	+ 26	- 44	-187	+ 82	+
	Balance on other transactions, excluding B9	-210	-229	-212	-248	-261	-233	-206	-310	-267	-273	-188	-2
	Official contributions	- 12	- 18	- 12	- 11	- 9	- 22	- 22	- 19	- 10	- 10	- 16	-
C	**Current account balance**	**-292**	**-331**	**-207**	**-301**	**-428**	**-451**	**-322**	**-303**	**-321**	**-470**	**-122**	**-3**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 93	+ 94	+103	+130	+101	+181	+ 85	+183	+196	+144	+168	+1
2	Direct investment abroad	- 20	- 23	+ 6	- 11	- 25	- 13	- 24	- 18	- 15	- 25	- 29	-
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 2	- 12	- 7	+ 21	+ 33	+ 15	+ 32	+ 11	+ 19	+ 15	- 19	-
3b	Trade in outstanding common and preference stocks	+ 3	+ 17	+ 35	+ 33	+ 32	+ 33	+ 26	+ 19	+ 13	+ 24	+ 10	+
4	New issues	+179	+295	+102	+101	+180	+117	+213	+197	+209	+146	+ 52	+
5	Retirements	- 30	- 50	- 27	- 51	- 42	- 84	- 61	- 71	- 50	- 78	- 32	-
	Foreign securities:												
6	Trade in outstanding issues	+ 4	- 1	+ 3	+ 7	- 5	- 12	- 7	- 8	+ 7	- 5	+ 2	-
7	New issues	- 4	- 7	- 2	- 4	- 3	- 2	- 1	- 7	- 2	- 3	- 2	-
8	Retirements	+ 2	+ 1	+ 2	+ 2	+ 3	+ 2	+ 3	+ 4	+ 6	+ 3	+ 7	+
	Loans by Government of Canada:												
9	Drawings	- 16	- 8	—	- 10	- 1	—	—	—	—	—	—	
10	Repayment of post-war loans	—	+ 9	—	+ 25	—	+ 9	—	+ 25	—	+ 7	—	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	—	—	—	—	—	—	—	
13	Subscriptions in gold and U.S. dollars to international financial agencies	—	—	—	—	—	—	—	- 59	—	—	- 1	-
14	Change in Canadian dollar holdings of foreigners	- 16	+ 41	+ 90	- 9	- 12	+ 47	+ 22	- 44	- 2	- 2	+ 45	+
16	Change in official holdings of gold and foreign exchange (increase, minus)	- 39	- 52	+ 32	- 50	+ 49	- 43	- 3	+ 67	+ 11	+ 82	- 40	-
17	Other capital movements	+131	+ 19	-137	+109	+118	+201	+ 37	+ 4	- 71	+162	- 39	+
E	**Net capital movement**	**+292**	**+331**	**+207**	**+301**	**+428**	**+451**	**+322**	**+303**	**+321**	**+470**	**+122**	**+**

Notes: Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA since Mutual Aid to NATO countries is distributed by quarters.

For other notes applicable to this table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1958				1959				1960			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	650	719	757	782	652	851	806	882	769	765	769	736
3	Gold production available for export	44	39	39	38	37	41	33	37	44	35	42	41
4	Travel expenditures	28	62	171	48	28	70	198	55	32	74	205	64
5	Interest and dividends	22	22	21	35	22	25	21	31	27	24	28	26
6	Freight and shipping	49	51	55	51	48	61	59	60	51	59	59	51
7	Inheritances and immigrants' funds	10	12	14	11	10	14	16	12	9	12	17	12
11	All other current receipts	73	67	63	77	74	75	86	76	79	85	87	79
12	**Total current receipts**	**876**	**972**	**1,120**	**1,042**	**871**	**1,137**	**1,219**	**1,153**	**1,011**	**1,054**	**1,207**	**1,009**
B	**Current payments:**												
1	Merchandise imports (adjusted)	831	927	799	886	865	1,044	891	927	942	1,005	853	915
2	Travel expenditures	80	113	136	84	94	113	155	86	91	131	151	89
5	Interest and dividends	92	115	122	171	108	127	120	192	113	135	131	169
6	Freight and shipping	57	73	86	78	57	84	96	89	65	87	88	84
7	Inheritances and emigrants' funds	23	24	28	29	25	27	35	36	32	32	38	39
11	All other current payments	107	109	109	107	110	110	109	110	109	111	112	115
12	**Total current payments**	**1,190**	**1,361**	**1,280**	**1,355**	**1,259**	**1,505**	**1,406**	**1,440**	**1,352**	**1,501**	**1,373**	**1,411**
C	**Current account balance**	**−314**	**−389**	**−160**	**−313**	**−388**	**−368**	**−187**	**−287**	**−341**	**−447**	**−166**	**−402**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+ 65	+ 75	+ 61	+102	+ 80	+164	+ 57	+123	+131	+109	+100	+ 97
2	Direct investment abroad	− 4	− 12	+ 15	− 2	− 2	− 4	+ 3	− 4	− 6	− 10	− 18	− 14
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	− 6	− 5	− 9	+ 10	+ 16	− 2	+ 9	− 4	+ 4	+ 3	− 16	—
3b	Trade in outstanding common and preference stocks	+ 7	+ 11	+ 27	+ 25	+ 28	+ 27	+ 17	+ 3	+ 5	+ 22	+ 14	+ 13
4	New issues	+164	+258	+ 92	+ 86	+160	+100	+198	+164	+191	+129	+ 34	+ 27
5	Retirements	− 28	− 40	− 25	− 39	− 34	− 71	− 45	− 61	− 43	− 57	− 28	− 72
	Foreign securities:												
6	Trade in outstanding issues	+ 3	− 1	+ 4	+ 5	− 5	− 13	− 7	− 9	+ 7	− 5	+ 2	—
7	New issues	− 4	− 6	− 1	− 2	− 1	− 1	− 1	− 5	− 1	− 1	− 2	− 9
8	Retirements	+ 1	+ 1	+ 1	+ 1	+ 2	+ 1	+ 2	+ 1	+ 5	+ 2	+ 4	+ 1
13	Subscriptions in gold and U.S. dollars to international financial agencies	—	—	—	—	—	—	—	− 59	—	—	− 1	− 2
14	Change in Canadian dollar holdings of foreigners	—	+ 35	+ 75	− 27	− 1	+ 25	+ 17	− 33	− 13	+ 2	+ 28	+ 43
16	Change in official holdings of gold and U.S. dollars (increase, minus)	− 39	− 52	+ 33	− 50	+ 49	− 44	− 4	+ 66	+ 13	+ 80	− 38	− 16
17	Other capital movements	+143	+ 28	−133	+109	+127	+233	+ 53	+ 34	− 88	+179	− 10	+184
	Net capital movement	**+302**	**+292**	**+140**	**+218**	**+419**	**+415**	**+299**	**+216**	**+205**	**+453**	**+ 69**	**+252**
	Balance settled by exchange transfers	**+ 12**	**+ 97**	**+ 20**	**+ 95**	**− 31**	**− 47**	**−112**	**+ 71**	**+136**	**− 6**	**+ 97**	**+150**
	Total financing of current account balance (item C)	**+314**	**+389**	**+160**	**+313**	**+388**	**+368**	**+187**	**+287**	**+341**	**+447**	**+166**	**+402**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1958				1959				1960			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	153	206	193	214	163	202	189	227	209	231	243	24
4	Travel expenditures	2	7	7	2	2	7	7	2	2	8	6	
5	Interest and dividends	2	3	1	26	1	5	2	27	3	3	1	
6	Freight and shipping	21	22	19	22	20	22	19	19	21	24	25	
7	Inheritances and immigrants' funds	4	5	4	4	4	7	7	8	6	7	7	
11	All other current receipts	11	11	10	11	10	11	11	11	12	12	14	
12	**Total current receipts**	**193**	**234**	**234**	**279**	**200**	**254**	**235**	**294**	**253**	**285**	**296**	**3**
B	**Current payments:**												
1	Merchandise imports (adjusted)	113	162	122	140	115	177	162	164	141	186	140	1
4	Travel expenditures	7	9	26	10	9	11	25	17	8	15	29	
5	Interest and dividends	25	12	20	19	28	18	23	21	26	19	21	
6	Freight and shipping	17	18	17	18	19	22	22	22	22	22	22	
7	Inheritances and emigrants' funds	3	7	8	8	3	8	8	7	3	7	8	
9	Official contributions	–	–	–	–	–	–	–	–	–	–	–	
11	All other current payments	27	26	21	21	21	23	23	22	24	23	28	
12	**Total current payments**	**192**	**234**	**214**	**216**	**195**	**259**	**263**	**253**	**224**	**272**	**248**	**2**
C	**Current account balance**	**+ 1**	**+20**	**+20**	**+ 63**	**+ 5**	**– 5**	**–28**	**+41**	**+29**	**+13**	**+48**	**+**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+19	+13	+34	+ 21	+17	+11	+22	+37	+40	+17	+32	+
2	Direct investment abroad	– 3	– 2	– 1	+ 1	–15	– 4	–20	– 5	– 4	– 6	– 3	–
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	–	– 1	–	+ 4	–	+ 2	+ 4	– 2	– 2	–	– 6	–
3b	Trade in outstanding common and preference stocks	– 4	+ 3	+ 3	+ 2	– 3	– 3	+ 2	+11	+ 5	– 2	– 7	–
4	New issues	+11	+18	+ 4	+ 8	+15	+ 9	+ 9	+12	+ 8	+10	+ 5	+
5	Retirements	– 1	– 6	– 2	– 7	– 6	– 9	–10	– 5	– 6	–11	– 2	–
	Foreign securities:												
6	Trade in outstanding issues	+ 1	–	–	+ 1	+ 1	–	–	+ 1	+ 1	+ 1	–	–
7	New issues	–	–	–	–	–	–	–	–	–	–	–	
8	Retirements	+ 1	–	–	–	–	–	–	–	–	–	–	
	Loans by Government of Canada:												
10	Repayment of post-war loans	–	–	–	+ 16	–	–	–	+16	–	–	–	+
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	–	–	–	–	–	–	–	
14	Change in Canadian dollar holdings of foreigners	–13	+ 1	+ 8	+ 8	–14	+10	+ 5	–11	– 3	– 3	+23	
16	Change in official holdings of sterling (increase, minus)	–	–	– 1	–	–	+ 1	+ 1	+ 1	– 2	+ 2	– 2	
17	Other capital movements	–20	– 8	– 1	– 10	+ 1	+11	+ 6	– 1	+ 6	–25	–41	
E	**Net capital movement**	**– 2**	**+26**	**+51**	**+ 52**	**– 4**	**+28**	**+19**	**+54**	**+43**	**–17**	**– 1**	
G	**Balance settled by exchange transfers**	**+ 1**	**–46**	**–71**	**–115**	**– 1**	**–23**	**+ 9**	**–95**	**–72**	**+ 4**	**–47**	
	Total financing of current account balance (item C)	**– 1**	**–20**	**–20**	**– 63**	**– 5**	**+ 5**	**+28**	**–41**	**–29**	**–13**	**–48**	

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 — Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1958				1959				1960P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Rest of the Sterling Area:												
1	Merchandise exports	78	83	62	76	65	75	70	78	72	86	86	96
	Other current receipts	13	16	15	20	15	17	26	16	14	18	18	19
12	Total current receipts	91	99	77	96	80	92	96	94	86	104	104	115
1	Merchandise imports	36	64	53	59	42	79	73	69	49	78	78	79
	Other current payments	18	25	19	20	18	29	27	27	21	19	18	22
12	Total current payments	54	89	72	79	60	108	100	96	70	97	96	101
	Current account balance	+37	+10	+ 5	+17	+20	−16	− 4	− 2	+16	+ 7	+ 8	+14
	Non-sterling area overseas countries:												
1	Merchandise exports	203	269	207	235	180	227	221	262	233	241	302	321
	Other current receipts	40	56	46	48	33	55	45	44	36	56	50	48
12	Total current receipts	243	325	253	283	213	282	266	306	269	297	352	369
1	Merchandise imports	174	208	228	264	196	251	254	263	195	241	247	252
	Other current payments	85	89	97	87	82	93	115	98	99	99	117	114
2	Total current payments	259	297	325	351	278	344	369	361	294	340	364	366
	Current account balance	−16	+28	−72	−68	−65	−62	−103	−55	−25	−43	−12	+ 3
	Current account balance with above areas	+21	+38	−67	−51	−45	−78	−107	−57	− 9	−36	− 4	+17
	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 9	+ 6	+ 8	+ 7	+ 4	+ 6	+ 6	+23	+25	+18	+36	+10
2	Direct investment abroad	−13	− 9	− 8	−10	− 8	− 5	− 7	− 9	− 5	− 9	− 8	−
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 4	− 6	+ 2	+ 7	+17	+15	+ 19	+17	+17	+12	+ 3	− 7
3b	Trade in outstanding common and preference stocks	−	+ 3	+ 5	+ 6	+ 7	+ 9	+ 7	+ 5	+ 3	+ 4	+ 3	+ 1
	New issues	+ 4	+19	+ 6	+ 7	+ 5	+ 8	+ 6	+21	+10	+ 7	+13	+10
	Retirements	− 1	− 4	−	− 5	− 2	− 4	− 6	− 5	− 1	−10	− 2	−13
	Foreign securities:												
	Trade in outstanding issues	−	−	− 1	+ 1	− 1	+ 1	−	−	− 1	− 1	−	−19
	New issues	−	− 1	− 1	− 2	− 2	− 1	−	− 2	− 1	− 2	−	− 2
	Retirements	−	−	+ 1	+ 1	+ 1	+ 1	+ 1	+ 3	+ 1	+ 1	+ 3	+ 1
	Loans by Government of Canada:												
	Drawings	−16	− 8	−	−10	− 1	−	−	−	−	−	−	−
	Repayment of post-war loans	−	+ 9	−	+ 9	−	+ 9	−	+ 9	−	+ 7	−	+ 8
	Change in Canadian dollar holdings of foreigners	− 3	+ 5	+ 7	+10	+ 3	+12	−	−	+14	− 1	− 6	+44
	Other capital movements	+ 8	− 1	− 3	+10	−10	−43	− 22	−29	+11	+ 8	+12	− 9
	Net capital movement	− 8	+13	+16	+31	+13	+ 8	+ 4	+33	+73	+34	+54	+24
	Balance settled by exchange transfers	−13	−51	+51	+20	+32	+70	+103	+24	−64	+ 2	−50	−41
	Total financing of current account balance (item C)	−21	−38	+67	+51	+45	+78	+107	+57	+ 9	+36	+ 4	−17

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-60[1]

Item	1926	1930	1933	1939	1945	1949	1951	1953	1954	1955	1956	1957	1958	1959	1960p
	billions of dollars														
Canadian liabilities:															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	66.0	6.0	7.7	8.9	10.1	10.9	11.9	13.0
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.1	2.1	1.9	2.1	2.3	2.6	3.1	3.3
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	2.9	3.1	3.1	3.5	3.9	4.1	4.2	4.5
Income accumulating investment funds	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.6	0.6	0.8	0.9	1.1	1.3	1.4
Foreign long-term investments in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**8.0**	**9.5**	**11.5**	**12.5**	**13.5**	**15.6**	**17.5**	**19.0**	**20.8**	**22.3**
Equity of non-residents in Canadian assets abroad	..	..	..	0.2	0.2	0.3	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.0	1.1
Canadian dollar holdings of non-residents	..	..	..	0.3	0.3	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6
Canadian short-term assets of international financial agencies	—	—	—	—	—	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.4
Gross liabilities[2]	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.9**	**10.6**	**12.6**	**13.7**	**14.8**	**17.0**	**18.9**	**20.6**	**22.7**	**24.6**
United States[2]	3.5	4.9	4.7	4.5	5.4	6.4	7.9	9.5	10.3	11.1	12.6	14.2	15.5	16.9	18.1
United Kingdom[2]	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.2	2.3	2.5	2.8	3.1	3.3	3.4	3.6
Other countries[2 3]	0.2	0.2	0.2	0.3	0.4	0.7	0.8	1.0	1.0	1.2	1.5	1.7	1.9	2.4	2.8
Short-term commercial payables[4]	..	..	..	..	0.4	0.4	0.7	0.3	0.4	0.5	0.7	1.0	1.2	1.6	1.7
Gross liabilities	**6.4**[2]	**8.0**[2]	**7.7**[2]	**7.4**[2]	**8.0**	**9.3**	**11.3**	**12.9**	**14.1**	**15.3**	**17.7**	**19.9**	**21.8**	**24.3**	**26.1**
Canadian assets:															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.5	1.6	1.8	1.9	2.1	2.2	2.3	2.6
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.1
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.4
Government of Canada subscriptions to international financial agencies	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.7
Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**4.0**	**4.1**	**4.5**	**4.6**	**4.7**	**4.8**	**5.0**	**5.1**	**5.5**	**5.8**
Government of Canada holdings of gold and foreign exchange VI	..	..	..	0.5	1.7	1.2	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8
Bank balances and other short-term funds abroad	[5]	[5]	[5]	—	0.1	0.1	0.1	0.3	0.4	0.3	0.6	0.9	1.0	1.0	1.1
Gross assets[2]	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**5.2**	**6.0**	**6.6**	**6.9**	**7.0**	**7.3**	**7.7**	**7.9**	**8.3**	**8.8**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8
United States[2 6]	0.7	0.9	0.8	0.9	0.9	1.1	1.4	2.0	2.1	2.2	2.6	3.0	3.1	3.3	3.5
United Kingdom[2 6]	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.5
Other countries[2 3]	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.6	1.9	1.9
Short-term commercial receivables[4]	..	..	..	..	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.6
Gross assets	**1.3**[2]	**1.5**[2]	**1.4**[2]	**1.9**[2]	**4.0**	**5.5**	**6.3**	**6.9**	**7.2**	**7.4**	**7.7**	**8.1**	**8.4**	**8.8**	**9.3**
Canadian net international indebtedness:															
Net liabilities	**5.1**[2]	**6.5**[2]	**6.3**[2]	**5.5**[2]	**4.0**	**3.8**	**5.0**	**6.0**	**6.8**	**7.9**	**10.0**	**11.8**	**13.4**	**15.5**	**16.8**
Government of Canada holdings of gold and foreign exchange	—	—	—	−0.5	−1.7	−1.2	−1.8	−1.8	−1.9	−1.9	− 1.9	− 1.8	− 1.9	− 1.8	− 1.8
United States[2 6]	2.8	4.0	3.9	3.6	4.6	5.3	6.5	7.5	8.2	8.8	10.0	11.2	12.4	13.7	14.9
United Kingdom[2 6]	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.7	0.9	1.1	1.4	1.7	1.9	2.0	2.1
Other countries[2 3]	−0.3	−0.3	−0.4	−0.1	−0.1	−0.6	−0.5	−0.4	−0.4	−0.2	—	0.1	0.3	0.6	0.9
Short-term commercial indebtedness[4]	..	..	..	..	0.3	0.2	0.5	0.1	0.1	0.2	0.3	0.6	0.7	1.1	1.2

[1] For missing years after 1945 see Tables II and III in "Canada's Short-Term External Assets and Liabilities 1945-1957" (DBS catalogue No. 67-504).
[2] Excludes short-term commercial indebtedness.
[3] Includes international financial agencies.
[4] Country distribution not available.
[5] Net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
[6] Excludes Government of Canada holdings of gold and foreign exchange.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,[1] 1950-60

At end of	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
	millions of U.S. dollars										
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,859
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2	1,777
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3	1,813
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,823

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government accounts and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad,[1] Selected Year Ends, 1926-59

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investments in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
ll countries:											
926	..	..	..	..	397	..	..	493	890	36	926
930	..	..	..	..	443	..	..	789	1,232	31	1,263
939	249	289	123	10	671[x]	511	208	719[x]	1,390	31	1,421
945	239	337	138	6	720	454	167	621	1,341	707	2,048
947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
952	326	771	163	11	1,271	669[x]	161	830	2,101	1,866	3,967
953	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
954	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
955	438	1,002	291	20	1,751	767	224	991	2,742	1,635	4,377
956	418	1,119	340	27	1,904	785	221	1,006	2,910	1,565	4,475
957	425	1,210	410	40	2,085	797	257	1,054	3,139	1,515	4,654
958	429	1,276	427	43	2,175	840	250	1,090	3,265	1,484	4,749
959	453	1,373	416	67	2,309	892	249	1,141	3,450	1,451	4,901
e United States:											
26	..	..	..	..	250	..	..	195	445	—	445
30	..	..	..	..	260	..	..	459	719	—	719
39	211	176	21	4	412[x]	380	121	501[x]	913	—	913
45	212	214	25	4	455	317	92	409	864	—	864
47	217	272	37	5	531	283	83	366	897	—	897
49	247	413	58	3	721	345	98	443	1,164	—	1,164
51	288	549	71	4	912	289	87	376	1,288	—	1,288
52	293	572	95	8	968	450[x]	86	536	1,504	—	1,504
53	365	632	123	7	1,127	469	95	564	1,691	—	1,691
54	390	695	145	10	1,240	490	89	579	1,819	—	1,819
55	393	719	175	15	1,302	539	89	628	1,930	—	1,930
56	378	817	190	22	1,407	569	84	653	2,060	—	2,060
57	380	845	206	32	1,463	579	118	697	2,160	—	2,160
58	379	858	197	31	1,465	631	111	742	2,207	—	2,207
59	380	874	190	51	1,495	692	111	803	2,298	—	2,298
e United Kingdom:											
26	..	..	..	..	7	..	..	45	52	—	52
30	..	..	..	..	14	..	..	45	59	—	59
39	—	53	—	6	59[x]	22	21	43[x]	102	—	102
45	—	53	—	1	54	26	27	53	107	561	668
47	—	64	—	—	64	26	26	52	116	1,331	1,447
49	—	58	—	1	59	21	19	40	99	1,434	1,533
51	1	73	—	—	74	17	17	34	108	1,394	1,502
52	1	80	—	—	81	17	14	31	112	1,357	1,469
53	1	103	—	—	104	16	13	29	133	1,292	1,425
54	1	118	—	—	119	17	14	31	150	1,247	1,397
55	2	128	—	1	131	29	17	46	177	1,202	1,379
56	3	135	—	1	139	30	16	46	185	1,157[2]	1,342
57	3	168	—	1	172	33	15	48	220	1,127[2]	1,347
58	3	197	—	1	201	27	14	41	242	1,080[2]	1,322
59	10	253	—	2	265	25	12	37	302	1,064[2]	1,366
er Commonwealth countries:[3]											
9	7	30	17	—	54	7	15	22	76	—	76
5	7	34	28	—	69	7	12	19	88	—	88
7	8	47	30	—	85	7	11	18	103	—	103
9	6	51	19	—	76	6	8	14	90	—	90
1	7	61	20	—	88	6	8	14	102	—	102
2	7	70	35	—	112	6	8	14	126	—	126
3	6	73	54	—	133	6	8	14	147	—	147
4	4	74	60	—	138	6	7	13	151	—	151
5	4	83	72	—	159	7	21	28	187	—	187
6	8	85	98	—	191	7	21	28	219	—	219
7	8	93	131	3	235	7	21	28	263	—	263
8	7	102	150	7	266	8	21	29	295	34	329
9	8	120	153	10	291	8	19	27	318	35	353
r foreign countries:											
	..	..	..	..	104[4]	..	..	253[4]	393[4]	36	429[4]
	..	..	..	..	169[4]	105	180	285[4]	454[4]	31	485[4]
	31	30	85	—	146[x]	102	51	153[x]	299	31	330
	20	36	85	1	142	104	36	140	282	146	428
	21	31	88	2	142	110	33	143	285	485	770
	23	31	14	2	70	105	36	141	211	566	777
	25	39	26	2	92	155	30	185	277	528	805
	25	49	33	3	110	196	53	249	359	509	868
	30	51	38	2	121	199	63	262	383	486	869
	32	57	40	2	131	210	93	303	434	458	892
	39	72	44	4	159	192	97	289	448	433	881
	29	82	52	4	167	179	100	279	446	408	854
	34	104	73	4	215	178	103	281	496	388	884
	40	119	80	4	243	174	104	278	521	370	891
	55	126	73	4	258	167	107	274	532	352	884

Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the ment of Canada to international financial agencies which are partly offset by short term assets in Canada of these institutions (Table V). Figures in- he equity of non-residents in assets abroad of Canadian companies (Table V).
Excludes deferred interest amounting to $22 million at the end of 1956, and to $44 million at the end of subsequent years.
Includes investments in Newfoundland prior to 1949.
Includes investments in "Other Commonwealth countries".

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59

Classification by type of security and nature of national ownership

Long term investments in Canada	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	19
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal[1]	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	2,
Railways	1,481	843	538	504	480	484	492	598	495	213	182	166	165	
Other corporations	796	561	1,226	1,496	1,963	2,181	2,241	600	414	1,022	1,252	1,666	1,863	1,
Sub-totals	**3,983**	**3,066**	**3,633**	**4,135**	**4,769**	**5,286**	**5,845**	**2,403**	**2,359**	**2,875**	**3,306**	**3,893**	**4,372**	**4,**
Capital stock of Canadian companies	2,856	3,194	6,939	7,991	8,875	9,352	9,916	1,832	2,088	5,023	5,711	6,328	6,679	7,
Other corporation assets[2]	480	548	2,090	2,376	2,686	2,967	3,490	331	413	1,840	2,049	2,299	2,512	2,
Income accumulating investment funds	—	—	170	249	255	342	321	—	—	170	249	255	342	
Miscellaneous investments	295	284	641	818	879	1,058[x]	1,261	94	130	367	474	489	531	
Total investments	**7,614**	**7,092**	**13,473**	**15,569**	**17,464**	**19,005**	**20,833**	**4,660**	**4,990**	**10,275**	**11,789**	**13,264**	**14,436**	**15,**
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	52	46	36	36	32	32	28	42	38	29	29	28	28	
Other corporations	357	281	718	781	1,075	1,135	1,182	294	254	675	730	1,004	1,058	1
Sub-totals	**409**	**327**	**754**	**817**	**1,107**	**1,167**	**1,210**	**336**	**292**	**704**	**759**	**1,032**	**1,086**	**1,**
Capital stock of Canadian companies	1,543	1,860	4,941	5,725	6,398	6,826	7,324	1,330	1,613	4,020	4,629	5,196	5,515	5
Other corporation assets[2]	475	526	2,033	2,326	2,624	2,887	3,372	327	399	1,789	2,004	2,244	2,444	2
Total direct investments	**2,427**	**2,713**	**7,728**	**8,868**	**10,129**	**10,880**	**11,906**	**1,993**	**2,304**	**6,513**	**7,392**	**8,472**	**9,045**	**9**
II. Government and municipal bonds[1]	**1,706**	**1,662**	**1,869**	**2,135**	**2,326**	**2,621**	**3,112**	**1,205**	**1,450**	**1,640**	**1,872**	**2,061**	**2,344**	**2**
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	1,427	795	499	467	447	451	462	556	457	184	153	138	137	
— Controlled in other countries	2	2	3	1	1	1	2	—	—	—	—	—	—	
Other corporations — Controlled in Canada	421	220	369	478	618	756	773	301	158	331	436	555	682	
— Controlled in other countries	18	60	139	237	270	290	286	5	2	16	86	107	123	
Sub-totals	**1,868**	**1,077**	**1,010**	**1,183**	**1,336**	**1,498**	**1,523**	**862**	**617**	**531**	**675**	**800**	**942**	
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,839	2,063	2,228	2,274	2,322	484	462	961	1,041	1,058	1,081	1
Companies controlled in other countries	80	85	159	203	249	252	270	18	13	42	41	74	83	
Other corporation assets:[2]														
Companies controlled in Canada	5	16	42	34	46	59	93	4	13	38	32	43	53	
Companies controlled in other countries	—	6	15	16	16	21	25	—	1	13	13	12	15	
Income accumulating investment funds	—	—	170	249	255	342	321	—	—	170	249	255	342	
Total other portfolio investments	**3,186**	**2,433**	**3,235**	**3,748**	**4,130**	**4,446**	**4,554**	**1,368**	**1,106**	**1,755**	**2,051**	**2,242**	**2,516**	**2**
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	641	818	879	1,058[x]	1,261	94	130	367	474	489	531	
SUMMARY														
I. Direct investments	2,427	2,713	7,728	8,868	10,129	10,880	11,906	1,993	2,304	6,513	7,392	8,472	9,045	
II. Government and municipal bonds	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	
III. Other portfolio investments	3,186	2,433	3,235	3,748	4,130	4,446	4,554	1,368	1,106	1,755	2,051	2,242	2,516	
IV. Miscellaneous investments	295	284	641	818	879	1,058[x]	1,261	94	130	367	474	489	531	
Total investments	**7,614**	**7,092**	**13,473**	**15,569**	**17,464**	**19,005**	**20,833**	**4,660**	**4,990**	**10,275**	**11,789**	**13,264**	**14,436**	**1**

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59 — Concluded

Classification by type of security and nature of national ownership

Long term investments in Canada	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
By type of assets														
ds and debentures:														
overnment and municipal[1]	486	157	141	152	145	145	141	15	55	88	111	120	132	207
ailways	862	316	296	296	290	292	291	21	32	29	26	24	27	42
her corporations	171	116	157	172	200	207	206	25	31	47	72	97	111	111
Sub-totals	**1,519**	**589**	**594**	**620**	**635**	**644**	**638**	**61**	**118**	**164**	**209**	**241**	**270**	**360**
tal stock of Canadian companies	942	973	1,426	1,646	1,835	1,934	1,983	82	133	490	634	712	739	816
r corporation assets[2]	134	103	179	234	270	312	378	15	32	71	93	117	143	158
ellaneous investments	171	85	157	168	177	198	200	30	69	117	176	213	329[x]	489
Total investments	**2,766**	**1,750**	**2,356**	**2,668**	**2,917**	**3,088**	**3,199**	**188**	**352**	**842**	**1,112**	**1,283**	**1,481**	**1,823**
By nature of national ownership														
irect investments (controlled in country of ownership):														
onds and debentures:														
Railways	10	8	7	7	4	4	4	—	—	—	—	—	—	—
Other corporations	49	13	11	19	42	45	39	14	14	32	32	29	32	37
Sub-totals	**59**	**21**	**18**	**26**	**46**	**49**	**43**	**14**	**14**	**32**	**32**	**29**	**32**	**37**
apital stock of Canadian companies	200	226	694	789	850	938	972	13	21	227	307	352	373	430
ther corporation assets[2]	133	101	178	233	267	309	369	15	26	66	89	113	134	143
Total direct investments	**392**	**348**	**890**	**1,048**	**1,163**	**1,296**	**1,384**	**42**	**61**	**325**	**428**	**494**	**539**	**610**
overnment and municipal bonds[1]	**486**	**157**	**141**	**152**	**145**	**145**	**141**	**15**	**55**	**88**	**111**	**120**	**132**	**207**
ther portfolio investments (not controlled in country of ownership):														
onds and debentures:														
Railways — Controlled in Canada	850	306	286	288	285	287	286	21	32	29	26	24	27	42
— Controlled in other countries	2	2	3	1	1	1	1	—	—	—	—	—	—	—
her corporations — Controlled in Canada	116	46	24	22	20	23	28	4	16	14	20	43	51	49
— Controlled in other countries	6	57	122	131	138	139	139	7	1	1	20	25	28	25
Sub-totals	**974**	**411**	**435**	**442**	**444**	**450**	**454**	**32**	**49**	**44**	**66**	**92**	**106**	**116**
apital stock of Canadian companies:														
Companies controlled in Canada	685	691	673	783	910	923	935	64	96	205	239	260	270	287
Companies controlled in other countries	57	56	59	74	75	73	76	5	16	58	88	100	96	99
her corporation assets:[2]														
Companies controlled in Canada	1	2	1	1	2	1	4	—	1	.3	1	1	5	10
Companies controlled in other countries	—	—	—	—	1	2	5	—	5	2	3	3	4	5
Total other portfolio investments	**1,717**	**1,160**	**1,168**	**1,300**	**1,432**	**1,449**	**1,474**	**101**	**167**	**312**	**397**	**456**	**481**	**517**
scellaneous investments:														
al estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	157	168	177	198	200	30	69	117	176	213	329[x]	489
SUMMARY														
ect investments	392	348	890	1,048	1,163	1,296	1,384	42	61	325	428	494	539	610
vernment and municipal bonds	486	157	141	152	145	145	141	15	55	88	111	120	132	207
er portfolio investments	1,717	1,160	1,168	1,300	1,432	1,449	1,474	101	167	312	397	456	481	517
scellaneous investments	171	85	157	168	177	198	200	30	69	117	176	213	329[x]	489
Total investments	**2,766**	**1,750**	**2,356**	**2,668**	**2,917**	**3,088**	**3,199**	**188**	**352**	**842**	**1,112**	**1,283**	**1,481**	**1,823**

[1] For division of Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long term investments.

TABLE XI. Number of Canadian Concerns Controlled Abroad,[1] End of 1959

Classification by country of ownership and type of business

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controlled outside Canada
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
Manufacturing:										
Vegetable products	154	7	161	48	—	48	13	—	13	22
Animal products	62	—	62	5	1	6	7	—	7	7
Textiles	94	1	95	26	1	27	6	—	6	12
Wood and paper products	234	15	249	42	2	44	12	—	12	30
Iron and products	478	21	499	93	1	94	27	—	27	62
Non-ferrous metals	266	9	275	42	—	42	20	—	20	33
Non-metallic minerals	74	4	78	46	—	46	11	—	11	13
Chemicals and allied products	310	31	341	60	1	61	14	2	16	41
Miscellaneous manufactures	110	7	117	11	—	11	4	—	4	13
Sub-totals (excluding petroleum refining)	**1,782**	**95**	**1,877**	**373**	**6**	**379**	**114**	**2**	**116**	**2,37**
Petroleum and natural gas	344	94	438	25	1	26	15	4	19	48
Other mining and smelting	300	34	334	61	—	61	17	2	19	41
Utilities:										
Railways	7	4	11	6	—	6	—	—	—	1
Other utilities (excluding pipelines)	103	20	123	33	4	37	34	7	41	20
Merchandising	865	144	1,009	345	35	380	133	7	140	1,52
Financial:										
Financial institutions except insurance	75	7	82	36	1	37	14	1	15	13
Insurance	19	162	181	27	86	113	12	42	54	34
Real estate	111	12	123	40	3	43	22	1	23	18
Other holding companies[2]	47	10	57	36	1	37	42	2	44	13
Other enterprises	587	95	682	148	10	158	43	4	47	88
Totals, all companies, 1959[3]	**4,240**	**677**	**4,917**	**1,130**	**147**	**1,277**	**446**	**72**	**518**	**6,71**
Totals, all companies, 1945[4]	**1,594**	**391**	**1,985**	**320**	**135**	**455**	**56**	**26**	**82**	**2,52**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding table
[2] Excludes non-resident owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 986; in the U.K. 393; in other countries 72.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-59[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	195
	*	*	*	*	*	*						
Percentage of total owned by all non-residents:												
Manufacturing	38	40	42	42	45	48	47	47	48	50	51	5
Petroleum and natural gas	—	—	—	—	—	—	60	63	65	63	63	6
Mining and smelting	37	44	40	39	51	57	53	53	54	56[2]	56	5
Railways	55	56	57	45	50	35	35	33	33	30	29	3
Other utilities	32	36	27	20	17	17	14	13	14	14	14	
Totals of above industries and merchandising[3]	**37**	**39**	**38**	**32**	**31**	**32**	**32**	**32**	**33**	**34**	**34**	
Percentage of total owned by United States residents:												
Manufacturing	30	33	34	35	37	39	37	37	38	39	40	
Petroleum and natural gas	—	—	—	—	—	—	57	58	59	57	57	
Mining and smelting	28	34	31	32	45	52	47	46	46	46[2]	47	
Railways	15	21	18	21	18	15	15	13	12	11	10	
Other utilities	23	30	20	16	15	15	12	10	11	11	12	
Totals of above industries and merchandising[3]	**19**	**24**	**22**	**23**	**24**	**25**	**25**	**25**	**26**	**26**	**26**	

[1] For years 1952 and 1953, see Table XII, *The Canadian Balance of International Payments, 1957, and International Investment Position.*
[2] Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pac Railway Company has been included under mining and smelting.
[3] Corporations engaged in the construction industry are included in the post-war period.
* Petroleum and natural gas industry not available separately. For treatment see page 33, *The Canadian Balance of International Payments, 1957, International Investment Position.*

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-60

Year	Total non-resident investment			Percentage of total non-resident investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other countries
	millions of dollars			per cent		
00[2]	..	..	1,232	14	85	1
14[3]	..	..	3,837	23	72	5
18[3]	..	..	4,536	36	60	4
26	1,782	4,221	6,003	53	44	3
30	2,427	5,187	7,614	61	36	3
33	2,352	5,013	7,365	61	36	3
39	2,296	4,617	6,913	60	36	4
45	2,713	4,379	7,092	70	25	5
46	2,826	4,355	7,181	72	23	5
47	2,986	4,205	7,191	72	23	5
48	3,270	4,239	7,509	74	22	4
49	3,586	4,377	7,963	74	22	4
50	3,975	4,689	8,664	76	20	4
51	4,520	4,957	9,477	76	19	5
52	5,218	5,167	10,385	77	18	5
53	6,003	5,458	11,461	77	18	5
54	6,764	5,780	12,544	77	17	6
55	7,728	5,745	13,473	76	18	6
56	8,868	6,701	15,569	76	17	7
57	10,129	7,335	17,464	76	17	7
58	10,880	8,125	19,005	76	16	8
59	11,906	8,927	20,833	76	15	9
60	12,975[p]	9,350[p]	22,325[p]	76	15	9

	Investment by residents of the United States			Investment by residents of the United Kingdom			Investment by residents of other countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
	millions of dollars								
0[3]	..	..	168	..	..	1,050	..	..	14
4[3]	..	..	881	..	..	2,778	..	..	178
9[3]	..	..	1,630	..	..	2,729	..	..	177
	1,403	1,793	3,196	336	2,301	2,637	43	127	170
	1,993	2,667	4,660	392	2,374	2,766	42	146	188
	1,933	2,559	4,492	376	2,307	2,683	43	147	190
	1,881	2,270	4,151	366	2,110	2,476	49	237	286
	2,304	2,686	4,990	348	1,402	1,750	61	291	352
	2,428	2,730	5,158	335	1,335	1,670	63	290	353
	2,548	2,653	5,201	372	1,275	1,647	66	277	343
	2,807	2,760	5,567	400	1,210	1,610	63	269	332
	3,095	2,811	5,906	428	1,289	1,717	63	277	340
	3,426	3,123	6,549	468	1,282	1,750	81	284	365
	3,896	3,363	7,259	497	1,281	1,778	127	313	440
	4,530	3,467	7,997	544	1,342	1,886	144	358	502
	5,206	3,664	8,870	612	1,396	2,008	185	398	583
	5,787	3,877	9,664	759	1,418	2,177	218	485	703
	6,513	3,762	10,275	890	1,465	2,356	325	517	842
	7,392	4,397	11,789	1,048	1,620	2,668	428	684	1,112
	8,472	4,792	13,264	1,163	1,754	2,917	494	789	1,283
	9,045	5,391	14,436	1,296	1,792	3,088	539	942	1,481
p	9,912	5,899	15,811	1,384	1,815	3,199	610	1,213	1,823
	10,625	6,225	16,850	1,575	1,825	3,400	775	1,300	2,075

[1] Including miscellaneous investments.
[2] Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).
[3] Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics for 1926 and subsequent years are official data collected by the Dominion Bureau of Statistics.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-59[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959
ntage of total control by all non-residents:	*	*	*	*	*	*						
nufacturing	35	36	38	43	48	54	51	52	52	56	57	57
roleum and natural gas	—	—	—	—	—	—	69	79	80	76	75	75
ing and smelting	38	47	42	40	53	57	51	57	58	61	60	61
lways	3	3	3	3	2	2	2	2	2	2	2	2
er utilities	20	29	26	24	20	11	8	8	6	5	5	5
otals of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**28**	**28**	**30**	**31**	**32**	**32**	**32**
ntage of total control by United States residents:												
ufacturing	30	31	32	39	42	45	42	42	41	43	44	44
roleum and natural gas	—	—	—	—	—	—	67	73	73	70	69	69
ing and smelting	32	42	38	37	51	54	49	55	52	52	51	53
lways	3	3	3	3	2	2	2	2	2	2	2	2
er utilities	20	29	26	24	20	11	7	6	4	4	4	4
otals of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**26**	**26**	**27**	**26**	**26**

For years 1952 and 1953, see Table XIV, *The Canadian Balance of International Payments, 1957, and International Investment Position.*
Corporations engaged in the construction industry are included in the post-war period.
Petroleum and natural gas industry not available separately. For treatment see page 33, *The Canadian Balance of International Payments, 1957, and International Investment Position.*
Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries Year Ends, 1954-59[1]

Industry	1954	1955	1956	1957	1958	1959
	billions of dollars					
Total capital employed:[2]						
Manufacturing	8.3	8.9	10.0	10.7	11.0	11.7
Petroleum and natural gas	2.5	3.0	3.5	4.5	5.0	5.5
Other mining and smelting	1.9	2.1	2.5	2.8	2.9	3.0
Railways	4.1	4.2	4.4	4.6	4.9	5.2
Other utilities	5.3	5.8	6.4	7.4	8.2	8.8
Merchandising[3] and construction	6.1	6.6	7.3	7.8	8.5	9.5
Totals of above	**28.2**	**30.5**	**34.1**	**37.6**	**40.5**	**43.7**
Resident owned capital:						
Manufacturing	4.4	4.7	5.2	5.4	5.4	5.7
Petroleum and natural gas	1.0	1.1	1.3	1.6	1.8	2.0
Other mining and smelting	0.9	1.0	1.1	1.3	1.3	1.4
Railways	2.7	2.8	2.9	3.2	3.5	3.8
Other utilities	4.6	5.0	5.5	6.3	7.0	7.6
Merchandising and construction	5.5	6.0	6.6	7.0	7.7	8.4
Totals of above	**19.1**	**20.6**	**22.7**	**24.8**	**26.7**	**28.9**
Non-resident owned capital:[4]						
Manufacturing	3.9	4.2	4.8	5.3	5.6	6.0
Petroleum and natural gas	1.5	1.9	2.3	2.8	3.2	3.7
Other mining and smelting	1.0	1.1	1.3	1.6	1.7	1.6
Railways	1.4	1.4	1.4	1.4	1.4	1.4
Other utilities	0.7	0.7	0.9	1.0	1.1	1.2
Merchandising	0.6	0.6	0.7	0.7	0.8	0.8
Totals of above	**9.1**	**9.9**	**11.4**	**12.9**	**13.8**	**14.7**
United States owned investments:[4]						
Manufacturing	3.1	3.3	3.8	4.2	4.4	4.7
Petroleum and natural gas	1.4	1.7	2.1	2.6	2.9	3.3
Other mining and smelting	0.9	1.0	1.1	1.3	1.4	1.5
Railways	0.6	0.6	0.5	0.5	0.5	0.5
Other utilities	0.6	0.6	0.7	0.8	0.9	1.0
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6
Totals of above	**7.0**	**7.6**	**8.7**	**9.9**	**10.7**	**11.5**
Total Canadian and external investment in companies controlled outside Canada:						
Manufacturing	4.3	4.6	5.2	5.9	6.3	6.8
Petroleum and natural gas	1.7	2.3	2.8	3.4	3.8	4.3
Other mining and smelting	1.0	1.2	1.4	1.7	1.8	2.0
Railways	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.4	0.4	0.4	0.4
Merchandising	0.5	0.6	0.6	0.7	0.7	0.8
Totals of above	**8.0**	**9.3**	**10.5**	**12.2**	**13.1**	**14.4**
Total Canadian and external investment in companies controlled in the United States:						
Manufacturing	3.4	3.7	4.1	4.6	4.8	
Petroleum and natural gas	1.7	2.2	2.6	3.1	3.5	
Other mining and smelting	0.9	1.1	1.3	1.5	1.5	
Railways	0.1	0.1	0.1	0.1	0.1	
Other utilities	0.4	0.4	0.3	0.3	0.3	
Merchandising	0.4	0.4	0.5	0.5	0.5	
Totals of above	**6.9**	**7.9**	**8.8**	**10.0**	**10.7**	

[1] For selected year ends 1926 to 1956 (without segregation of petroleum and natural gas industry) see Table XVI, *The Canadian Balance of Interna Payments, 1958, and International Investment Position.*

[2] Estimated from "Taxation Statistics" and other sources.

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating relative magnitudes only.

[4] The figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been included with facturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, some of the year to year changes derived from the tabl have only a limited significance and may from time to time be misleading.

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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS 1961 and 1962
AND
INTERNATIONAL INVESTMENT POSITION

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AREA CLASSIFICATION OF CANADA'S INTERNATIONAL TRANSACTIONS

United States

United Kingdom

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, Ireland, Iceland, Burma, Jordan, Libya, and Iraq until 1959.

Other OECD Countries include all the countries participating in the Organisation for Economic Co-operation and Development, except the United States, United Kingdom, Ireland, Iceland (and Canada). These are Austria, Belgium, Luxembourg, Denmark together with Greenland, France, Federal Republic of Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Prior to 1962, this group was called the Organisation for European Economic Co-operation, in which Canada and the United States held only associate membership.

All Other Countries include countries in Latin America, Africa and Asia outside the Sterling Area, the Soviet Area, international financial agencies (unless otherwise indicated), and all other countries not specified above.

International Financial Agencies, where mentioned in this report, cover the International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.

SYMBOLS

The interpretation of the symbols used in the tables throughout this publication is as follows:

— nil or less than $0.5 million (less than $50 million in case of tables in billions of dollars).

.. figures not available.

p preliminary estimate.

r revised figures.

x new series not strictly comparable with earlier years.

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TABLE OF CONTENTS

Page

The Canadian Balance of International Payments, 1961 and 1962:

Current Transactions in Goods and Services

Summary 7
Quarterly Highlights 9
Summary of Quarterly Trends in the Current Account 11

Merchandise Trade 11
Export balances in 1961 and 1962 13
Imports 14
Average prices of exports and imports 14

Non-merchandise Transactions 15
Gold production available for export 16
Travel expenditures 16
Income account 18
Freight and shipping 27
Inheritances and migrants' funds 29
Miscellaneous current transactions 30

Bilateral Changes 33
In transactions with:
the United States 36
the United Kingdom 37
the Rest of the Sterling Area 38
the other OECD countries 39
the other countries 40
Multilateral Settlements 40

Capital Movements 42

Background and Summary 42
Direct Investment in Canada 47
Direct Investment Abroad 50
Summary of Transactions in Portfolio Securities 51
Transactions in Canadian outstanding securities 56
New issues and retirements of Canadian securities 57
Transactions in foreign securities 60

Long-Term Investments Abroad by the Government of Canada 61
Change in Canadian Dollar Holdings of Foreigners 62
Change in Official Holdings of Gold and Foreign Exchange 66
Other Capital Movements 66

nada's International Investment Position:

General Review 70
Foreign Financing of all Canadian Investment 71
Distribution of Ownership of Net Canadian Long-Term Funded Debt 73
Financial Institutions and Companies 74
Miscellaneous Investments 74
Number of Concerns 75
Canadian Direct Investment Abroad 76
Equity of Non-Residents in Canadian Assets Abroad 77
Canadian Portfolio Investment in Stocks of United States Corporations 78
Foreign Ownership and Control of Canadian Industry 80
Structure of Investment and Ownership in Foreign Controlled Enterprises 84
Size Distribution of Foreign Controlled Enterprises 89

arterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1963 (including Preliminary Estimates for the year 1963) 99

Page

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1955-62 7
2. Major Components of Canada's Current Account with All Countries, 1954-62 8
3. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1960-62 9
4. Foreign Exchange Rates: U.S. Dollar in Canada, 1961 and 1962 10
5. Adjustments to Merchandise Trade, Selected Years 1952-62 12
6. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1951-62 14
7. Current Non-merchandise Transactions between Canada and Other Countries, 1952 and 1962 15
8. Travel Expenditures between Canada and Other Countries, 1950-62 17
9. Income Account with All Countries: Quarterly Estimates, 1949-62 20

9A. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946 and 1950-62 20

9B. Distribution by Industry and Destination of Dividend Payments on Direct and Portfolio Investments, 1960 21

9C. Estimated Total Returns on Foreign Direct Investment in Canada, 1946-61 22

9D. Industrial Distribution of Dividend Payments to All Countries, Selected Years 1939-60 23

9E. Distribution by Industry and Destination of Dividend Payments, Selected Years 1938-60 24

9F. Industrial Distribution of Dividend Payments to the United States by Canadian Companies Controlled in the United States, Selected Years 1938-60 24

9G. Interest Payments on Canadian Bonds and Debentures Held Abroad, by Groups of Issues and Currency of Payment, Selected Years 1938-61 25

9H. Distribution of Investment Income: Receipts, 1946-62 26

9I. Distribution of Investment Income: Payments, 1946-62 27

10. Freight and Shipping Transactions between Canada and Other Countries, 1955-62 28

10A. Freight and Shipping Transactions: An Alternative Distribution, Selected Years 1951-61 29

11. Miscellaneous Current Transactions with All Countries, 1952-62 31

11A. Miscellaneous Current Transactions by Countries, 1952-62 33

11B. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1952-62 34

11C. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1952-62 36

11D. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1958-62 40

11E. Summary of the Canadian Balance of International Payments, 1960-62 41

11F. Changing Composition of Capital Movements, 1955-62 42

11G. International Monetary Fund: Canada's Position, 1947-63 43

11H. Summary of the Canadian Balance of International Payments, Second and Third Quarters 1962 44

12. United States Direct Investment in Canada, 1946-61 46

12A. United States Direct Investment in Canada, Details for 1960 and 1961 47

12B. Estimated Constituents in the Change in the Value of Foreign Direct Investment in Canada, 1946-61 48

12C. Estimated Undistributed Earnings on Foreign Direct Investment in Canada, Classified by Industry and Country, 1960 and 1961 50

13. Transactions in Canadian Securities between Canada and Other Countries, 1960-62 52

13A. Proceeds of New Issues of Canadian Securities Sold to Non-Residents, 1952-62 53

13B. Contract and Delivery of New Issues of Canadian Bonds and Debentures sold to Residents of the United States, 1957-62 55

13C. Yields on Representative Long-Term Government Bonds 56

14. Transactions in Foreign Securities between Canada and Other Countries, 1960-62 60

14A. Transactions in Canadian Treasury Bills between Canada and Other Countries, 1960-62 61

15. Composition of Other Capital Movements, 1956-62 62

15A. Composition of Other Capital Movements by Quarters, 1960-62 63

16. Canada's Balance of International Indebtedness, Selected Year Ends 1926-61 64

17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends 1900-61 65

18. Value of United States Investments in Canada, Selected Year Ends 1926-61 66

19. Foreign Financing of All Canadian Investment, 1946-62 67

20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-62 68

21. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt, Classification by Currency of Payment, End of 1954 and 1960 69

22. Detail of Foreign Investment in the Financial Category, Selected Year Ends 1956-61 70

23. Detail of Foreign Investment in Miscellaneous Investments, Year Ends 1956-61 71

24. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1960 and 1961 72

25. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends 1949-61 73

26. Canadian Direct Investment in European Economic Community, End of 1960 and 1961 74

LIST OF STATEMENTS – Concluded

Page

27. Canadian Direct Investment Abroad, Industrial Detail, End of 1954, 1960 and 1961 ... 76
28. Non-Resident Equity and Control of Canadian Direct Investment Abroad, Selected Year Ends 1954-61 ... 77
29. Canadian Portfolio Holdings of United States Corporation Stocks, Year Ends 1955-61 ... 78
30. Canadian Portfolio Holdings of United States Corporation Stocks, Industrial and Size Distribution, End of 1960 ... 79
31. Ownership and Control of Selected Canadian Industries, Net Change in Book Values, Seven Years Ending 1961 ... 82
32. Ownership and Control of Selected Canadian Industries, Selected Year Ends 1954-61 ... 83
33. Analysis of Foreign Investments in "Other Manufacturing", 1961 ... 83
34. Structure of Investment and Ownership of Foreign Controlled Enterprises in Canada ... 84
35. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States, Selected Year Ends 1945-60 ... 85

35 A. Canadian and Foreign Ownership of Investments in Canada Controlled in all Foreign Countries, End of 1960 ... 86

36. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States, Net Change in Book Values, Nine Years Ending 1954 and Six Years Ending 1960 ... 87
37. Canadian Equity Investment in Foreign Controlled Enterprises in Canada, End of 1960 ... 88
38. Percentage Canadian Ownership of Equity Investment in Foreign Controlled Enterprises in Canada, End of 1960 ... 89
39. Control of Total Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada, End of 1953 and 1960 ... 90
40. Control of Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada with Aggregate Investment of $25 million or more, Selected Year Ends 1946-60 ... 91
41. United States Controlled Manufacturing Enterprises in Canada, Classification by Size of Investment, Selected Year Ends 1946-60 ... 91
42. Foreign Controlled Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada, classified by Size of Investment, End of 1960 ... 92
43. Foreign Controlled Manufacturing Enterprises in Canada, classified by Size of Investment, End of 1960 ... 93
44. Foreign Controlled Petroleum and Natural Gas Enterprises in Canada, classified by Size of Investment, End of 1960 ... 93
45. Foreign Controlled Mining and Smelting Enterprises in Canada, classified by Size of Investment, End of 1960 ... 93
46. Foreign Controlled Utility, Merchandising, Financial and Other Enterprises in Canada, classified by Size of Investment, End of 1960 ... 94
47. Control of Utilities, Merchandising, Financial and Miscellaneous Enterprises and of All Enterprises in Canada with Aggregate Investment of $25 million or more, End of 1960 ... 94
48. Total Foreign Controlled Enterprises in Canada, classified by Size of Investment, End of 1960 ... 95

LIST OF TABLES

I. Current and Capital Accounts of the Canadian Balance of International Payments, 1960, 1961 and 1962 ... 116-7
II. Annual Statements of the Canadian Balance of International Payments, 1946-62 ... 118-21
III. Current Account Between Canada and All Countries, 1926-62 ... 121
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 ... 122-5
V. The Canadian Balance of International Indebtedness, Selected Year Ends 1926-61 ... 126
VI. Canada's Official Holdings of Gold and United States Dollars, 1951-62 ... 126
VII. Canadian Long-Term Investments Abroad, Selected Year Ends 1926-61 ... 127
VIII. Foreign Capital Invested in Canada, by Type of Assets and Nature of National Ownership, Selected Year Ends 1930-61 ... 128-9
IX. Foreign Capital Invested in Canada, by Type of Investment, Selected Year Ends 1945-61 ... 130
X. Foreign Direct Investment in Canada, by Type of Business, Selected Year Ends 1945-61 ... 131
XI. Number of Canadian Concerns Controlled Abroad, by Type of Business and Country of Ownership, End of 1960 and 1961 ... 132
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-61 ... 133
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends 1900-61 ... 133-4
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-60 ... 134
XV. Ownership and Control of Selected Canadian Industries, 1959-61 ... 135
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends 1954-61 ... 136

TABLE OF CONTENTS — Concluded

About the figures —

Beginning with the 1960 report in this series a number of brief notes have been included under the genera title, *About the figures.* These describe the statistical sources and methodology employed or other aspects c the data having general and continuing application. A list of the notes published to date follows.

	Report for 1960	Repor for 1961 a 1962
	Page	Page
Current Account		
Merchandise Trade		11-
Gold Production Available for Export		1
Travel Expenditures		1
Income Account		18-
Freight and Shipping Transactions		2
Miscellaneous Current Transactions		30-
Capital Account		
Foreign Direct Investment in Canada	35	
Transactions in Portfolio Securities		5
Canadian Dollar Holdings of Foreigners		6
Official Holdings of Gold and Foreign Exchange		6
Non-resident Participation in Canadian Short-Term Money Markets		6
Bank Balances and Other Short-Term Funds Abroad		6
Investment Position		
Foreign Financing of all Canadian Investment	50	
Miscellaneous Investments	54	
Industrial Classifications	55	
Canadian Portfolio Investment in Stocks of United States Corporations		79-8
Foreign Ownership and Control		95-
Estimated Values of Total Capital and Resident-Owned Capital in Some Areas of National Wealth	62	
Balance of Payments Presentations	64	
Changes in Presentation 1963		

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS 1961 and 1962

Summary

The size and direction of Canada's commercial and financial transactions with other countries are reflected in statements of the Canadian balance of international payments. The statements provide analytical summaries of economic relations between the domestic economy and the rest of the world and their impact. In the current account are set out Canada's "commercial" transactions in goods and services with other countries together with such transfers as grants and contributions, remittances and migrants' funds and inheritances. In the capital account, a summary of statistics of "financial" transactions, capital movements are presented which have effects upon Canada's external assets and liabilities. Her international investment position is also affected by changes in position which do not appear in balance of payments statements such as retained earnings and changes in valuations.

Over a period of years Canada's current account in goods and services with other countries has been characterized by deficits reflecting imports of capital. Each year since 1950, with the exception of 1952, the current expenditures abroad have exceeded external income, by as much as $1,504 million in 1959. These current deficits have been financed by substantial inflows of capital. From the peak level of 1959, however, the deficits have been reduced to $982 million in 1961 and $848 million in 1962. In each of these years the reappearance of export balances on merchandise account has been a major factor in the improvement together with substantial reductions in the deficit on travel account from the record level in 1960. The trend towards improvement has been extended in 1963.

Notwithstanding this improvement during recent years, developments during 1962 were extraordinary, and the accounts show two distinct periods which are described under "Quarterly Highlights". During most of the past decade the largest part of this imbalance from an excess of current payments over receipts has originated from non-merchandise transactions. The deficit from this source, which exceeded $1 billion in each of the years 1959 to 1962, rose rapidly each year to 1961; and in most years until then there were as well import balances on merchandise account of varying magnitudes. The export balances on merchandise account which reappeared in 1961 and continued in 1962 and 1963 contributed to an easing of the current account deficits in each of these years.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1955-62

Account	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1962
	millions of dollars								
erchandise exports (adjusted)	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,364	+475
erchandise imports (adjusted)	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,209	+493
Balance on merchandise trade	−211	− 728	− 594	− 179	− 422	− 148	+ 173	+ 155	− 18
ther current receipts	1,518	1,784	1,621	1,550	1,642	1,718	1,845	1,984	+139
ther current payments	2,005	2,422	2,482	2,502	2,724	2,813	3,000	2,987	− 13
Balance on non-merchandise transactions	−487	− 638	− 861	− 952	−1,082	−1,095	−1,155	−1,003	+152
Current account balance	**−698**	**−1,366**	**−1,455**	**−1,131**	**−1,504**	**−1,243**	**− 982**	**− 848**	**+134**
rect investment in Canada	+417	+ 583	+ 514	+ 420	+ 550	+ 650	+ 520	+ 555	+ 35
et new issues of Canadian securities	− 18	+ 526	+ 665	+ 519	+ 449	+ 182	+ 238	+ 397	+159
et trade in outstanding Canadian securities	− 27	+ 199	+ 92	+ 88	+ 201	+ 54	+ 100	− 52	−152
l other capital movements	+326	+ 58	+ 184	+ 104	+ 304	+ 357	+ 124	− 52	−176
Net capital movement	**+698**	**+1,366**	**+1,455**	**+1,131**	**+1,504**	**+1,243**	**+ 982**	**+ 848**	**−134**

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

The current account deficit has been both anced and influenced by capital inflows from other untries. A leading form of capital movement has en large predominantly inward movements of vestment capital for direct investment in Canadian sinesses by non-resident corporations. Other large pital inflows originated from borrowing through net les of Canadian securities including new and tstanding issues. These two broad groups of pital inflows, with some others as well, have ntinued to add each year to the total of foreign-ned long-term investments in Canada and have been leading elements contributing to the rising balance of Canadian indebtedness to other countries. Other capital movements, mainly of a short-term character, have been more variable, although mainly inward in recent years, and retained earnings which are not included in the direct investment inflows have also added greatly to the net indebtedness position. By the end of 1962 Canadian liabilities to other countries exceeded external assets by some $19 billion, a balance which has risen over three times during the past decade.

Much of the recent shape of Canada's balance of payments has been influenced by certain predominant elements in Canadian development during the past decade. During this period Canadian investment sources were strongly supplemented by capital from sources external to Canada. In a large part of the period, particularly after 1955, foreign sources financed one-third or more of net capital formation in this country. Canadian liabilities to other countries as well as the balance of her international indebtedness consequently rose rapidly. Between 1955 and 1961 alone there was more than a doubling in Canada's net liabilities to other countries, with further increases thereafter.

This rapid increase in indebtedness to other countries has contributed directly to the growing current deficit on non-merchandise transactions through an expansion in a variety of current payments abroad. The most apparent of these have, of course, been the interest and dividends which cover the largest part of the remittances of earnings on foreign capital invested in Canada. Net payments of interest and dividends have been rising each year and are now much higher than a decade ago, and at $570 million in 1962 constituted more than half of the deficit from all non-merchandise transactions.

Besides payments in these forms there are other types of income transfers as well which in 1962 amounted to $143 million on the payments side but considerably less than this on balance as there are also various receipts of miscellaneous income. In addition substantial payments abroad are made by corporations in Canada for a wide range of business services many of which reflect the varied forms of organization and of industrial development which have been under way. Many of these payments are part of the cost of new technology and industrial progress and involve payments for both technical and administrative services.

The increases in these payments connected in various ways with the servicing of Canada's indebtedness abroad and with the costs of acquiring new industrial technology have so far been relatively less than the rise in the balance of indebtedness to other countries. This appears to be due to a diversity of lags in incomes earned or transferred, arising from production problems and tendencies to retain earnings in the early stages of new investments. Other lags evidently may be attributed to the existence of under-utilized capacity characteristic of some of the recent extension to Canadian industry. On the other hand, interest payments have risen in step with the volume of new borrowing, but of course, even here there is normally a lapse of six months between the time of delivery of new issues and the first interest payments.

Rising Canadian incomes accompanying domestic development have also been a major contributor to Canada's non-merchandise deficit. The most striking illustration of this has been in the travel account where the deficit increased steadily until 1959 and 1960, with Canadian expenditures abroad rising much more than Canadian receipts from international travel. In that period the high value of the Canadian dollar in relation to foreign currencies may have contributed to both of these trends. In addition, rapid improvements in international transportation added to the facility of Canadian travel abroad. In 1961 a much higher advance in receipts than in expenditures reduced the deficit materially. In 1962 the deficit on travel account was reduced even more sharply as receipts continued to gain and Canadian payments on travel abroad fell for the first time in more than a decade. Among new factors contributing to the development have been the devaluation of the foreign exchange price of the Canadian dollar, which first started in June 1961 and was followed by the subsequent stabilization in May 1962 at an equivalent of 92½ cents in terms of the United States dollar, and the reduction in duty-free privileges accorded to Canadian travellers returning from abroad. This was introduced in June, 1962 as part of a series of official measures with the object of stabilizing Canada's international transactions.

STATEMENT 2. Major Components of Canada's Current Account with All Countries, 1954-62

Account	1954	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1962
	millions of dollars									
Merchandise exports (adjusted)	3,929	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,364	+475
Merchandise imports (adjusted)	3,916	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,209	+493
Balance on merchandise trade	**+ 13**	**−211**	**− 728**	**− 594**	**− 179**	**− 422**	**− 148**	**+ 173**	**+ 155**	**− 18**
Gold production available for export	+155	+155	+ 150	+ 147	+ 160	+ 148	+ 162	+ 162	+ 165	+ 3
Travel expenditures	− 84	−121	− 161	− 162	− 193	− 207	− 207	− 160	− 50	+110
Interest and dividends	−276	−323	− 381	− 435	− 444	− 489	− 480	− 561	− 570	− 9
Freight and shipping	− 43	− 17	− 45	− 70	− 59	− 105	− 91	− 82	− 90	− 8
Inheritances and migrants' funds	− 5	− 19	− 16	− 33	− 48	− 56	− 79	− 71	− 39	+ 32
All other current transactions	−192	−162	− 185	− 308	− 368	− 373	− 400	− 443	− 419	+ 24
Balance on non-merchandise transactions	**−445**	**−487**	**− 641**	**− 864**	**− 955**	**−1,082**	**−1,095**	**−1,155**	**−1,003**	**+152**
Current account balance	**−432**	**−698**	**−1,366**	**−1,455**	**−1,131**	**−1,504**	**−1,243**	**− 982**	**− 848**	**+134**

Note: Mutual Aid to Nato countries is not included in either current receipts or payments.

The rise in the non-merchandise deficit has been of major significance in the current account because of the relatively small size of the export balance from merchandise trade that had so far emerged. While the export balances in 1961 and 1962 were in direct contrast to the import balances which preceded them for half a dozen years, they were still not relatively large, particularly in comparison with some years in earlier decades. When merchandise trade totals in 1962 are set alongside corresponding figures a decade earlier, in 1952 for example, the export balance is less than one-third that in the earlier year. The latter, however, was an exceptional year in that exports were higher than in adjacent years and imports lower. In the ensuing ten years exports rose in value by almost one-half and imports by more than this. Only a small part of the rise, particularly in the case of exports, was due to the effect of higher prices in 1962.

If Canadian productive resources had been more fully engaged in meeting both domestic and external demands, a very different result might have been realized. While it is not possible to express in simple statistical terms the extent to which Canadian industrial capacity was not fully utilized, the existence of significant proportions of unused capacity in many industries is well known.

Yet in this decade there were great developments in the range and depth of Canadian exports. By 1962 Canadian exports were much more diversified with large new sources of commodities which in 1952 either did not exist or were relatively small. Among the best known examples of these are iron ore, uranium and petroleum and natural gas. These exports alone in 1962 totalled some $700 million, contributing to almost one-third of the rise in total exports in the decade. Another third or more was accounted for by increased shipments by basic industries of long-standing, such as forest products, smelting and refining industries. These have furnished industrial materials including lumber, pulp and paper and increasing amounts of non-ferrous metals such as nickel, copper and aluminum, offset to some extent by reduced values of lead and zinc exports. There have also been large gains in exports of steel, chemicals and asbestos. In the field of secondary industry examples of growing exports in the decade have occurred in aircraft, industrial machinery and electrical apparatus, but these increases contrast with declines in such traditional exports as agricultural machinery and automobiles. Agricultural products now make up a smaller proportion of export totals than a decade earlier. But while there has recently been a lower volume of grain exported, some other farm and fishery exports have risen in the decade.

Important changes in Canada's export trade taking place in 1963 are not examined here in detail. This information is found in the relevant issues of the "Quarterly Estimates of the Canadian Balance of International Payments" (Catalogue No. 67-001). There was another large rise during 1963 in the total featured by much expanded sales of wheat and a further broadened export of the products of secondary industry.

Quarterly Highlights

In comparison with 1962, the course of the balance of payments during 1961 may not seem unusual. There were however such notable happenings as the exceptional shift of dividend payments from the previous year-end to the first quarter of 1961, which may have been influenced by changes in the withholding taxes introduced in the Budget of December 1960. There were also new basic departures during 1961 such as the decline to a discount in the foreign exchange value of the Canadian dollar during the month of June and the emergence of an export balance on merchandise account. And direct investment inflows showed more irregularity than in the previous year, being considerably lower by the second half. Also there were larger inflows on portfolio investment and of "other capital movements" and an outflow from reduced holdings of treasury bills. Following a sharp change from an inflow of about $200 million in the March quarter to an outflow of nearly $100 million in the last quarter of 1960,

STATEMENT 3. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1960-62

Country or area	1960				1961				1962			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	millions of dollars											
United States	− 343	− 449	− 165	− 404	− 433	− 435	− 151	− 367	− 343	− 425	− 66	− 282
United Kingdom	+ 28	+ 12	+ 48	+ 78	+ 39	+ 27	+ 42	+ 79	+ 6	+ 48	+ 49	+ 110
Other sterling area	+ 17	+ 7	+ 7	+ 12	+ 28	+ 8	+ 1	− 10	+ 11	− 12	+ 1	+ 11
Other countries[1]	− 28	− 47	− 17	+ 1	+ 29	+ 89	+ 46	+ 26	− 7	+ 27	− 18	+ 42
All countries	**− 326**	**− 477**	**− 127**	**− 313**	**− 337**	**− 311**	**− 62**	**− 272**	**− 333**	**− 362**	**− 34**	**− 119**

[1] Includes other OECD countries.

substantial inflows followed in the first three quarters of 1961 from security transactions, in particular trade in both new and outstanding Canadian securities. The bonds of provincial and municipal governments figured most prominently in the large sales to non-residents of new securities during the first two quarters of 1960 and those of Canadian companies during 1961. Inflows from other capital movements covering loans, accounts receivable and intercompany short-term items were appreciably heavier in the first and final quarters of the year.

More major developments in Canada's balance of payments and in the background affecting it occurred during 1962. These have been described in detail in the published series on the Quarterly Estimates of the Canadian Balance of International Payments. Only the broadest outlines are repeated here of the year described in two distinct periods.

In the first half of the year 1962, the current account deficit remained at a high level, net movements of capital were outward and a substantial drain of foreign exchange holdings occurred, culminating in the exchange crisis in June. During this quarter a series of official measures were introduced with the object of stabilizing the international exchange value of the Canadian dollar and her international transactions. Besides the stabilization of the foreign exchange value of the Canadian dollar and a reduction in the amount of duty-free purchases of goods by Canadians travelling abroad, described elsewhere in the text, the remedial program included temporary graduated surcharges on approximately a half of Canada's imports, reductions in government expenditures and the fixing of the Bank Rate at 6 per cent. To reinforce the reserves, a massive international financial support of over $1 billion in cash and stand-by credits was arranged with the cooperation of the International Monetary Fund and the authorities of the United States and United Kingdom. After drawing $650 million of these resources, Canada's official holdings of gold and foreign exchange were raised to $1,809 million at mid-year 1962.

In the second half of the year there was a rapid restoration of official holdings of foreign exchange, accompanying large capital inflows and a reduction in the current account deficit. A return of short-term capital from abroad contributed initially to the recovery of the reserves and the resumption of long-term capital inflows helped to consolidate the restoration. A progressive retirement of international financial assistance took place, and at the year end only the drawing of $300 million from the International Monetary Fund remained outstanding. Surcharges on imports were partially withdrawn in 1962, and a complete removal occurred by the close of the first quarter of 1963.

From their low point in June 1962 the official holdings of gold and United States dollars increased rapidly to $1,159 million at the end of the month, $1,795 million at the end of the third quarter and $2,239 million by the end of the year, expressed in United States funds and exclusive of the international financial assistance.

Some of the improvement in the current account deficit resulting from the official action was evident in the third quarter, particularly on travel account, with flourishing receipts from United States visitors to Canada together with a decided contraction in Canadian spending in the United States. This change appears to have been in part at least a response to the further depreciation of Canadian currency in May and the reduction in June in the privilege of duty-free purchases.

In the final quarter of the year the current deficit was sharply reduced with a large export balance on merchandise account coinciding with a considerable reduction in the deficit from non-merchandise transactions. Again the effects of the official measures introduced in the second quarter appear to have been a significant influence with exports rising more than imports and with a further improvement in the travel account. A variety of other non-mercahndise items also contributed to the reduction in the deficit in this quarter.

STATEMENT 4. Foreign Exchange Rates: U.S. Dollar in Canada, 1961 and 1962

Quotations reported on transactions between banks in the exchange market

Quarter	1961			1962		
	High	Low	Noon average	High	Low	Noon average
	Canadian cents per unit					
I	99.69	98.25	98.99	105.03	104.34	104.77
II	103.53	98.59	99.42	109.00	104.87	107.42
III	104.00	103.00	103.21	108.19	107.66	107.78
IV	104.38	103.00	103.61	107.81	107.53	107.63
Year	**104.38**	**98.25**	**101.32**	**109.00**	**104.34**	**106.89**

Note: Closing quotations: 1959, 95.22; 1960, 99.66; 1961, 104.34; 1962, 107.72.

Source: Bank of Canada.

Summary of Quarterly Trends in the Current Account
(after removal of seasonal characteristics)

Following marked fluctuations during 1960, the current account deficit narrowed sharply from $320 million, seasonally adjusted at quarterly rates, in the last quarter to about $210 million in the second quarter of 1961. The deficit then moved in a range between this level and roughly $260 million in the period up to the end of the third quarter of 1962. In the closing quarter of the year there was a substantial improvement in the imbalance to a rate of somewhat more than $100 million. This marked amelioration was in part a response to the various official measures introduced in the second quarter of 1962, which have been described earlier.

A moderate trade surplus of between about $20 million and $60 million existed over most of 1961 and 1962, with the exception of a more sizable export balance in the last quarter of 1962 of nearly $100 million, and of a small deficit in the preceding period. The uncertain course during 1960 in both merchandise exports and imports came to an end about the turn of the year. There followed a period of fairly sustained quarter-to-quarter growth, except for a shallow dip in exports in the third quarter of 1962 and a sharper drop in imports in the final quarter from the peak level of the preceding period. These irregular movements brought about a minor trade deficit in the third quarter, which was followed by a substantial export balance in the December quarter of 1962.

Save for the last two quarters, net payments on non-merchandise transactions accordingly exceeded the current account deficit by between 10 per cent and 30 per cent. From a deficit of more than $300 million, seasonally adjusted at quarterly rates, in the first quarter of 1961, net payments on non-merchandise transactions trended downwards, except for minor fluctuations, to a level of over $200 million in the fourth quarter of 1962. The most striking improvement was recorded in the balance on travel expenditures, which responded more directly to the remedial measures referred to elsewhere. The deficit which stood in the opening quarter of 1961 at an adjusted level of some $50 million (quarterly average for the 3 preceding years) declined steadily to a small surplus at the end of 1962. Travel receipts increased during 1961, but levelled off after the first quarter of 1962. Payments on travel account fluctuated within a narrow range until mid-1962, but declined in the second half of the year. Net payments on migrants' funds and inheritances declined over most of the two-year period, while the rate of gold production available for export remained on the whole unchanged. The deficit on freight and shipping was highest in the first quarter of 1962, and lowest in the last quarter. Net payments of interest and dividends and the deficit on other non-merchandise transactions fluctuated most irregularly. On account of the unusual concentration of dividend payments by subsidiaries, the peak deficit on interest and dividends appeared in the initial quarter of 1961. Net payments on miscellaneous transactions rose until the second quarter of 1962, except for a dip in the period preceding, but fell off substantially in the latter half of the year.

About the figures –

MERCHANDISE TRADE

Statistics of merchandise exports and imports are compiled from customs entries and published by the External Trade Division of the Dominion Bureau of Statistics. As the publications of that Division provide detailed presentations, only the main outline of the basis and content of the trade statistics are set forth here, because of the direct bearing on the balance of payments.

While these trade statistics form the basis of the merchandise item in statements of the balance of payments, some adjustments are necessary when these figures are used for this purpose. Basically the trade statistics cover physical movements of goods as they are reflected in customs documents received in any period, whereas the balance of payments statements are intended to cover with appropriate timing all economic transactions between residents and non-residents with financial implications for the balance of payments. Such transactions are not always reflected in the commodity flows covered in administrative documents.

The value of exports defined on the export entry is the actual amount received in Canadian dollars by the exporter, and the value of imports is usually that determined for customs duty purposes. The latter usually corresponds to the value on the invoice accompanying the goods, converted to Canadian dollars at "authorized" rates of exchange. Both export and import values are taken f.o.b. point of shipment in Canada or in the foreign country. In the case of exports the point of shipment is where the goods were consigned for export. Such charges as freight, insurance, handling and taxes are not usually included in the totals of merchandise trade. Transportation transactions affecting the balance of payments are mainly covered in the Freight and Shipping item.

Embodied in the export statistics are "domestic exports" or exports of Canadian produce and "re-exports" or exports of foreign produce. The first group includes exports of previously imported goods, which have been further processed in Canada as well as commodities wholly produced in this country. Re-exports comprise only previously imported goods, which are exported from Canada in the same condition as when imported. Statistics of imports include goods entered for domestic consumption, i.e., commodities cleared by customs immediately on entry into Canada as well as out of customs warehouses, but not goods placed in these warehouses on entering the country.

Exports and imports are usually credited to the country to which the goods are consigned at the time of leaving Canada, or from which the commodities were consigned to this country. The country of consignment is the one to which goods are intended to go or have come without interruption of transit except for transfer from one means of conveyance to another. Exceptions

in the case of imports are goods, which originate in Central and South America and the Antilles, but which are consigned to Canada from the United States. These are credited to the country in which the goods originated.

Merchandise trade statistics exclude gold, but include products whose gold content is less than 80 per cent of the value of the commodity, and also gold scrap in the form of jewellers' sweepings. Other important exclusions are goods shipped to NATO partners under the Defence Appropriation Act, goods shipped to Canadian armed forces or diplomats abroad or imported for foreign diplomats or armed forces, including United States forces stationed at treaty bases in Canada, bunker supplies and ships' stores sold to foreign vessels in Canada and bought by Canadian vessels abroad, private donations and gifts, tourist purchases, ships of British construction and registry imported for use in Canada, ships and aircraft purchased for use in foreign trade and settlers' effects.

As many of the foregoing items were excluded from the trade totals only since the beginning of 1960, adjustments of the figures for balance of payments purposes were more numerous and their effect on the merchandise trade balance was more important before that date.

STATEMENT 5. Adjustments to Merchandise Trade, Selected Years 1952-62

	1952		1955		1958		1962	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	millions of dollars							
Totals in trade returns	4,356.0	4,030.5	4,351.3	4,712.4	4,926.3	5,192.3	6,347.7	6,257.8
Tourist purchases	- 3.8	- 66.7	- 2.8	- 71.4	- 2.2	- 78.9	- 2.2	—
Settlers' effects	- 14.9	- 25.7	- 21.9	- 25.6	- 29.6	- 33.1	—	—
Wheat	- 10.4	—	- 1.8	—	- 2.3	—	+ 6.5	—
Warehousing	+ 13.6	+ 3.3	+ 4.2	+ 11.3	+ 4.4	+ 9.5	+ 11.0	+ 37.0
Ships and aircraft	—	—	—	+ 15.2	- 3.2	+ 24.6	+ 0.6	- 66.9
Advertising	—	- 5.1	—	- 7.4	—	- 8.7	—	- 8.1
All other adjustments	- 1.1	- 86.3	+ 3.1	- 91.9	- 6.3	- 39.8	—	- 11.1
Total adjustments	**- 16.6**	**- 180.5**	**- 19.2**	**- 169.8**	**- 39.2**	**- 126.4**	**+ 15.9**	**- 49.1**
Adjusted merchandise trade (Table II, items A 1, B 1)	4,339	3,850	4,332	4,543	4,887	5,066	6,364	6,209

These adjustments are designed to reflect more accurately all transactions having international financial implications. Some are for the purpose of correcting lags or deviations from balance of payments concepts resulting from administrative practices. Other adjustments remove duplication covered in other items or deal with abnormalities in certain large transactions. An instance of the latter is the elimination of movements of some commodities on government account, where payments arrangements are exceptional.

To compensate, for example, for delays in the receipt of customs documents for exports of wheat, more timely information from the Board of Grain Commissioners on the volume of wheat shipments is used in combination with relevant price data. In the same process destinations shown in this series are used in place of countries of consignment appearing in the export entries; and there have been times when these differences were very significant.

Other instances of adjustments with the objective of reflecting more clearly the timing of payments relate to the inclusion in merchandise imports of the goods placed in customs warehouses on entering Canada, and to purchases of capital goods, such as ships and aircraft. Periodic progress payments are entered in the balance of payments during the construction period, whose length varies with the size of the vessel or the number of aircraft under contract. Upon delivery, when these commodities appear in the customs entries for tabulation in the trade total, they are excluded from the balance of payments, having already been counted at the time of payments.

Omissions from administrative practices exempting from customs documentation certain purchases of ships and aircraft are compensated for. On the other hand, while included in the "Trade of Canada" total, imports of certain defence goods under mutual defence arrangements are not pertinent to the balance of payments, when no outright cash payments take place, and are therefore excluded. At times this type of adjustment has been quite substantial as was the case in 1961 and 1962.

Some of the merchandise transactions, which are excluded from the trade statistics as indicated above, appear elsewhere in balance of payments statements. For example, tourist purchases of merchandise are a part of the estimated expenditures of international travellers covered in the item on Travel Expenditures. And fuel, stores and repairs acquired in Canadian ports by foreign vessels, and similar disbursements abroad on account of Canadian vessels, are included in expenditures on account of shipping in the item on Freight and Shipping Transactions. Further, in some annual statements of the balance of payments an item is introduced to cover Canadian Mutual Aid to NATO Countries, with corresponding offsetting entries shown on both sides of the current account. Likewise if they are desired for special purposes entries may be introduced to cover other unilateral transactions in kind.

Export Balance on Merchandise Trade in 1961 and 1962

Persistent import balances since the mid-fifties changed to a trade surplus of $173 million in 1961, and this was maintained at a slightly lower level of $155 million in 1962. Since 1954, when merchandise exports and imports were almost equal at $3.9 billion, exports have increased to $5,889 million in 1961 and to a record level of $6,364 million in 1962, up more than 60 per cent over 1954. After rising more than 40 per cent in two years to $5,565 million in 1956, the value of imports in current dollars remained at about this magnitude until 1960, except for a decline of nearly 8 per cent down to $5,066 million in 1958. Imports rose 3 per cent to $5,716 million in 1961 and a further 8 per cent and more to a peak value of $6,209 million in 1962.

Among new influences in the background affecting the course of Canadian merchandise trade in 1961 and 1962 were of course the changes in the foreign exchange value of the Canadian dollar. This aided the competitive position of many Canadian industries, so encouraging exports and facilitating import replacement with Canadian production. The temporary surcharges introduced in June 1962 on a range of Canadian imports were also a factor reducing imports in the second half of the year.

The expansion in economic activity in Canada and the United States which resumed in 1961 was a leading influence on Canada's merchandise trade in 1961 and 1962. This occurred at a time when activity in many overseas countries tended to be more irregular, with a braking in activity in some of Canada's major markets.

Among prominent variables in Canadian trade in recent years have been sales of wheat to Communist countries which were a leading element in the upturn in 1961, receding in 1962, and again becoming of major importance in 1963. A strong upward movement in exports of manufactured goods is another factor of consequence based on the improved competitive position of Canadian industry in recent years.

The rise in wheat exports represented about half of the annual increase in 1961. Other important contributors to the increment were such commodities as nickel, forest products, notably wood pulp, petroleum and natural gas, cattle, aircraft, and a variety of other manufactured products. Exports of some other staple commodities were maintained. But offsetting a part of the increases were declines in shipments of such major commodities as uranium, iron ore, copper and aluminum.

A faster rate of economic expansion in the United States as compared with elsewhere abroad raised demands for many types of Canadian industrial materials. During the year there was a steeply rising trend in exports to the United States, with the second half year 15 per cent higher than the first. The changes noted above in total exports of selected commodities were parallelled in shipments of Canadian goods to the United States.

Exports to overseas countries were also substantially above those of 1960, surpassing even the gain in shipments to the United States in 1961. This rise to the overseas reflected large sales of wheat to countries in Eastern Europe and to the Federal Republic of Germany and to some other countries in Western Europe, and of wheat and barley to Mainland China. With industrial production in overseas countries still rising or continuing at high levels, overseas demands for Canadian industrial materials and other primary products also remained high as a whole in 1961. There were, however, some considerable variations in shipments in individual commodities to some markets with, for example, nickel sales to the United Kingdom and Western Europe higher than in 1960 while other exports to these markets like iron ore, primary steel products, uranium and aluminum were down. Sales of both agricultural products and industrial materials to Japan continued to rise to new record levels. There were also increases in exports of a variety of secondary manufactured goods to many parts of the world.

Geographically, Canadian exports were notably higher to Japan and also to Latin America and to some countries in Western Europe. At the same time exports to the United Kingdom were maintained at the high level of the previous year, while shipments to other countries of the Sterling Area were only slightly lower. These changes had the effect of reducing the proportion of exports to the United States, United Kingdom and other Sterling Area countries and increasing the share of sales to other foreign countries in 1961.

In 1962 a sharp rise of over 16 per cent in shipments of Canadian goods to the United States was the outstanding development, while overseas exports remained relatively stable in total, although exports of wheat receded from the high levels of 1961. The expansion in exports to the United States continued in the first half of 1962, although at a reduced rate, and levelled off at a high plateau in the latter half year. The most remarkable increases to that country were in shipments of industrial materials including the products of resource industries such as iron ore, petroleum and natural gas, lumber, wood pulp, and various metals, and in such products of secondary industry as aircraft and machinery. A continued decline in deliveries of uranium was an important exception.

At the same time exports of industrial materials to overseas countries in 1962 were moderately lower with some decreases in both metals and chemicals. Larger declines in exports of wheat occurred, mainly in association with contracts with Eastern European countries. These losses however were partly offset by expanded exports of manufactured goods.

While exports to major overseas markets such as the United Kingdom and Western Europe were generally maintained there were, besides the decline to Eastern Europe, reductions in the totals to Japan and Commonwealth countries in Asia. On the other hand exports to Australia and other Commonwealth countries increased as did shipments to Communist China.

Imports

The rising level of activity in Canada in 1961 and 1962 was a leading influence on the expansion in imports as in similar stages in earlier business cycles. At somewhat better than 15 per cent, imports however still represented a smaller proportion of the national expenditure than in earlier periods of high activity such as 1956 and 1957. While increases were widely distributed, there were notable concentrations in a few commodities due to special circumstances, and significant reductions were recorded in some commodities where Canadian demand seemed to be more fully met from domestic sources. Most substantial advances occurred in imports of industrial materials including automobile parts and in investment goods. Various types of industrial materials shared in the increase in 1961, and metal materials, automobile parts, and machinery and parts most prominently in 1962. Some imports of consumer goods have also risen during this period but these gains have usually been relatively moderate except where temporary shortages of Canadian supplies existed. At the same time, some other groups of consumer goods have declined. The most significant reduction was in imports of passenger automobiles which dropped sharply in 1961, and again slightly in 1962, mainly from the United Kingdom. Imports of rolling mill products and petroleum products are other examples of significant contractions in 1961. In these and other areas domestic sources of supply covered larger parts of the Canadian requirements.

The lower foreign exchange value of the Canadian dollar in 1962 contributed to the rise of more than 8 per cent in the value of imports, adjusted for balance of payments use. When the impact of this change on average prices of imports is allowed for, the real increase in imports in 1962 would be about halved. On the other hand, the effects upon the volume of imports of the stabilization of the Canadian dollar at a lowered level of exchange and the imposition of temporary import surcharges appeared in the second half of 1962, when the general rise in imports under way for about two years was arrested temporarily.

Most of the countries and areas contributed to the import expansion of 1961 and 1962, except the United Kingdom, whose exports to Canada decreased slightly. About 65 per cent and 79 per cent respectively of the total increases in the two years originated in the United States, owing to the nature of the commodities involved. These changes and those pertaining to other countries in the Sterling Area, the OECD group and Latin America are examined in the section on bilateral transactions.

Prices

There were upward movements in both export and import prices in 1961 and 1962, following a considerable period of relative stability in the aggregate indexes. An important underlying influence on these changes was the devaluation of the Canadian dollar.

STATEMENT 6. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1951-62

(1948 = 100)

Year and quarter	Price Indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1951	123.0	126.2	97.5	103.5	122.7
1952	121.8	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.5	157.9
1956	121.4	113.0	107.4	128.5	187.5
1957	121.0	116.4	104.0	129.3	179.6
1958	120.6	116.5	103.5	130.4	165.6
1959	122.8	114.4	107.3	134.2	183.9
1960	123.0	115.5	106.5	140.2	181.3
1961	124.0	119.1	104.1	152.3	185.0
1962	128.1	124.5	102.9	158.3	192.0
1960 I	122.5	114.1	107.4	134.9	177.2
II	123.3	116.3	106.0	136.1	194.1
III	123.0	116.6	105.5	144.7	169.6
IV	122.9	115.7	106.2	145.8	183.2
1961 I	123.0	117.4	104.8	131.6	166.7
II	123.0	117.6	104.6	147.5	192.3
III	124.5	120.6	103.2	163.2	178.9
IV	125.8	121.1	103.9	166.3	201.2
1962 I	126.8	123.1	103.0	140.1	182.5
II	128.6	125.6	102.4	161.0	204.0
III	129.1	125.6	102.8	159.3	188.5
IV	128.8	125.1	103.0	171.5	190.7

The earlier peak period for these prices occurred in 1951 in association with the Korean War, when export prices averaged 123, in comparison with 1948 as 100, and import prices exceeded 126. But with the step-up in the value of the Canadian dollar in the foreign exchange market from a discount in 1951 to a premium in 1952, and with this position being maintained for about a decade, Canada's average export and import prices subsided fairly quickly. While the latter remained at a lower level for a longer period and neared the 1951 peak only in 1962, export prices regained the peak level in 1960 and continued to rise to a point 4 per cent higher by 1962.

The terms of Canada's trade, or the ratio of the indexes of export prices to those of import prices fluctuated between 103½ and about 107½ during the latter half of the fifties, and have declined from 106½ to roughly 104 and to 103 in the most current three-year period. The deterioration in the terms of trade in the sixties followed a larger rise in average import prices than in export prices, the percentage increase being about twice as large for the former.

Average export prices increased noticeably only in 1962 although they had started to rise in the second half of 1961, while import prices advanced fairly substantially in both 1961 and 1962. All the commodity groups, except miscellaneous products, shared in the 3 per cent rise in average import prices between 1960 and 1961. Higher than this overall increase in important groups of commodities, such as agricultural and animal products, fibres and textiles and in particular iron and steel products, contributed to outweighing lesser advances on the part of other commodity classes. All the commodity groups together accounted for the 4½ per cent rise in import prices in 1962, and again iron and steel products most notably. The gain of some 3 per cent in average export prices during the year originated largely from food, beverages and tobacco and particularly from the group comprising inedible crude materials.

STATEMENT 7. Current Non-Merchandise Transactions between Canada and Other Countries, 1952 and 1962

Country or area	Receipts		Payments		Net transactions		Net change
	1952	1962	1952	1962	1952	1962	1952-62
	millions of dollars						
United States:							
Gold production available for export	150	165	—	—	+ 150	+ 165	+ 15
Travel expenditures	257	510	294	420	− 37	+ 90	+ 127
Interest and dividends	85	124	344	655	− 259	− 531	− 272
Freight and shipping	174	260	302	350	− 128	− 90	+ 38
Inheritances and migrants' funds	38	61	77	127	− 39	− 66	− 27
All other current transactions	224	321	289	530	− 65	− 209	− 144
Total and balance on non-merchandise transactions	**928**	**1,441**	**1,306**	**2,082**	**− 378**	**− 641**	**− 263**
All overseas countries:							
Travel expenditures	18	50	47	190	− 29	− 140	− 111
Interest and dividends	60	87	69	126	− 9	− 39	− 30
Freight and shipping	209	238	73	238	+ 136	—	− 136
Inheritances and migrants' funds	47	63	17	36	+ 30	+ 27	− 3
Official contributions	—	—	16	32	− 16	− 32	− 16
All other current transactions	57	105	116	283	− 59	− 178	− 119
Total and balance on non-merchandise transactions	**391**	**543**	**338**	**905**	**+ 53**	**− 362**	**− 415**
All countries:							
Gold production available for export	150	165	—	—	+ 150	+ 165	+ 15
Travel expenditures	275	560	341	610	− 66	− 50	+ 16
Interest and dividends	145	211	413	781	− 268	− 570	− 302
Freight and shipping	383	498	375	588	+ 8	− 90	− 98
Inheritances and migrants' funds	85	124	94	163	− 9	− 39	− 30
Official contributions	—	—	16	32	− 16	− 32	− 16
All other current transactions	281	426	405	813	− 124	− 387	− 263
Total and balance on non-merchandise transactions	**1,319**	**1,984**	**1,644**	**2,987**	**− 325**	**− 1,003**	**− 678**

About the figures –

GOLD PRODUCTION AVAILABLE FOR EXPORT

Whether sold abroad or taken into the Canadian official reserves of gold and foreign exchange, Canada's gold production is a source of international credits no different from the proceeds of exporting other commodities. However the general use of gold as a monetary metal lends it special attributes that distinguish it from other commodities in trade. In particular, international movements of gold are determined more by financial factors rather than by ordinary commercial considerations. Gold not only does not have to surmount tariff barriers but is also universally acceptable at least at a fixed minimum price in the settlement of international obligations. This metal is often sold or bought internationally without actual physical movements, such transactions being reflected in changes in gold held under earmark, e.g. gold stored in the vaults of the central bank of one country for account of residents of another. Or it may be moved from one country to another across frontiers without change in ownership. For these reasons, gold production available for export representing nonmonetary gold is shown explicitly in the balance of payments tables among non-merchandise items of the current account.

In Canada, gold is produced primarily as an export commodity; and in the calculation of the item, production is taken at the stage after refining at the Royal Canadian Mint, when the metal is sold by the Minister of Finance to the Exchange Fund to become part of the official reserves, or to be sold abroad. Also included are sales for safekeeping in Canada and commercial gold exported directly by producers, as well as relatively small amounts of gold in ore or quartz sent outside of Canada for refining. Excluded, however, is any gold held by producers before the refining stage, whether at the mines, in transit or at the mint.

In effect the estimates of gold appearing in the current account represent the value at the more final stages of production, less consumption of the metal by industry and the arts. These totals representing a source of credits in the current account are offset by debits in the capital account whenever either the official reserves of gold or of foreign exchange should rise as a result of new gold production. In other words, because of its characteristic of ready convertibility into foreign exchange, gold production is treated in the balance of payments as if it were an external asset; and net transactions in monetary gold contributing to changes in the official holdings of gold and foreign exchange are recorded in the capital account.

There are certain drawbacks in the above presentation such as the impracticability of distributing gold transactions with individual countries, on account of the method of calculation. Moreover when gold goes into monetary stocks it does not directly affect Canada's account with any one country. But because of the stimulus to production over the long run having arisen from the existence of the official buying price in the United States, which also has been the market for much of the Canadian gold production, the entire item of nonmonetary gold is shown in bilateral statements of the balance of payments in the account with the United States. Likewise changes in the Exchange Fund holdings of gold appear together with United States dollars in the capital account with that country.

Gold production available for export over the 13 years since 1950 has averaged about $155 million annually, with the higher values occurring in the opening and terminal years of the period, when the United States dollar was at a significant premium in Canada. The Canadian dollar value of gold production amounted to $163 million in 1950, $162 million in 1961 and $165 million in 1962.

About the figures –

TRAVEL EXPENDITURES

In the travel account are covered receipts and payments for all expenditures incidental to travel such as international passenger fares, living expenses, including lodging, food, etc., entertainment, local transportation and purchases of other services and goods, including gifts. These are expenditures made by travellers on business or shopping, persons travelling for education, health or vacation, and also commuters, summer residents and intransit automobile, rail and bus passengers.

The primary source of detailed statistics and analysis of international travel is the publication of the Travel Statistics Unit, Balance of Payments Section, "Travel Between Canada and Other Countries" (Catalogue No. 66-201, Annual). A section on sources and methods of compiling international travel data is published in the 1960 report on pages 21 to 34. Some of the figures for the most recent year shown in the 1962 edition of this publication vary slightly from those appearing in Statement 8 which follows, due to incorporation of the estimates at differing stages of revision.

From a peak of $207 million in 1959 and 1960, Canada's net travel payments were reduced to $160 million in 1961, and were further cut down to $50 million in 1962, which was about the level of the deficit on travel account in the early fifties. In both 1961 and 1962, the improvement occurred wholly in transactions with the United States. Receipts from American visitors were up more than 15 per cen each year, while expenditures by Canadians visitin the United States declined, particularly in the latte year. The stabilization of the Canadian dollar at lowered value of 92½ cents in terms of United State currency and the reduction late in the second quarte of 1962 in the privilege of duty-free purchases b

Canadians abroad were important factors behind the narrowing of the deficit. The customs exemption on merchandise purchased in the United States by Canadian visitors was reduced from $100 to $25 every four months, and from $300 to $100 annually on purchases made while travelling in overseas countries.

In the postwar period, Canada's transactions on travel account have been predominantly with the United States. More than 9/10 of the receipts originated from American travellers until about the mid-fifties. Subsequently for a number of years, there was a slight decline below 90 per cent until 1961 when this level was again exceeded. Travel payments were likewise preponderantly to the United States, with the peak share of 88 per cent occurring in 1951. Following this year, however, there has been a small but steady decline until the United States proportion of total travel payments dropped below 70 per cent in 1962.

Receipts from residents of the United States travelling in Canada, which surpassed the half billion dollar level for the first time in 1962, resulted from increases in the number of visits together with a higher per capita spending. The number of trips made by Americans to Canada increased about 4 per cent to 31,700,000 during 1962. But more than two-thirds of this huge aggregate represented mainly local travel accounting for just over one-tenth of total expenditures. United States visitors travelling in automobiles continued to comprise the largest group, and averaged roughly 78 per cent in the three years, but accounted for smaller but increasing shares of expenditures, viz. 58½, 61½ and 63 per cent. Short-term visitors — those entering and leaving Canada on the same day — represented 65 per cent of all American visitors by automobile in 1962. But because this group did not require overnight accommodation, they accounted for less than 10 per cent of the expenditures. Longer-term visitors represented about 35 per cent of all arrivals by automobile but were responsible for over 90 per cent of the expenditures. American travellers using other types of transportation, such as plane, bus, rail and boat, represented 22 per cent of all visitors and accounted for 37 per cent of expenditures.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1950-62

Year	Account with United States			Account with overseas countries			Account with all countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
	millions of dollars								
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	- 121
1956	309	391	- 82	28	107	- 79	337	498	- 161
1957	325	403	- 78	38	122	- 84	363	525	- 162
1958	309	413	- 104	40	129	- 89	349	542	- 193
1959	351	448	- 97	40	150	- 110	391	598	- 207
1960	375	462	- 87	45	165	- 120	420	627	- 207
1961	435	459	- 24	47	183	- 136	482	642	- 160
1962	510	420	+ 90	50	190	- 140	560	610	- 50

From a peak of $462 million in 1960, Canadian expenditures for travel in the United States declined slightly to $459 million in 1961 and then dropped to $420 million. The duty-free purchases of Canadian travellers returning from the United States fell more than 40 per cent, from $60 million in 1961 to under $35 million in 1962, with the bulk of the reduction occurring in the second half of 1962. Canadians travelling by automobile accounted for one-third in numbers and about one-half of expenditures in 1962. Expenditures by Canadians using rail, bus and in particular plane, were higher than those of Americans using the same modes of transportation. The per capita spending by Canadian long-term visitors at approximately $74 in 1962 was much higher than the average American expenditure in Canada of $45.

Although the number of Canadians returning from overseas sojourns has been relatively small, their share of total payments on travel account, as implied before, has been becoming increasingly important in recent years, accounting for more than 30 per cent of the total in 1962. The average duration of stay overseas is much longer than trips to the United States, and the cost of ocean and air transportation with foreign carriers represents substantial amounts.

Income Account

Net payments of interest and dividends have been growing in company with rising indebtedness to other countries and have usually been the largest single contributor to current account deficits. The only exceptions in the past decade have been larger import balances on merchandise account in 1956 and 1957, two years significant for the high level of capital expenditure by Canadian business. In 1962 the deficit of $570 million on income account represented about two-thirds of Canada's current deficit, a higher proportion than ever before. Although this deficit was much more than double that in 1946, the rise in the postwar period has been much less than has occurred in Canada's net indebtedness to other countries.

In this period receipts of interest and dividends roughly doubled from $70 million in 1946 to $145 million in 1952; and, after a period of considerable irregularity until 1956, receipts again advanced except for a hesitation in 1960 to $211 million in 1962. This total was not only at the highest level recorded but was also about three times as large as the 1946 estimate.

About the figures –

INCOME ACCOUNT

Covered in this account are transfers between Canada and foreign countries of interest on bonds and debentures and dividends. These international receipts and payments represent major parts of the return on invested capital, but do not include undistributed income or "miscellaneous income". The latter item covers the return on foreign investments in Canadian securities held through financial intermediaries, and on mortgages, real estate and other assets where investments are included in the category Miscellaneous Investments. Also comprised are earnings from international operations of banks and insurance companies and interest paid on inter-company borrowings other than funded debt. The growing importance of miscellaneous income, other than income shown in the Interest and Dividends item, as a component of total remittances of investment income is described later in the section on Miscellaneous Current Transactions. About a quarter and 10 per cent respectively of all receipts and payments of income on investment were represented by miscellaneous income in the 17 postwar years covered in Statements 9H and 9I. The individual annual ratios exceeded the overall averages in each year after the mid-fifties.

Receipts of interest arise from inter-governmental loans and advances, including those under Part II of the Export Credits Insurance Act and the United Kingdom Financial Agreement Act. Covered also are interest and discount earned by the Exchange Fund Account and interest receipts on private holdings of foreign bonds; but interest receipts on direct investment are, due to the method of collection of statistics, lumped in with receipts of dividends.

Dividend payments are classified into those on direct investment and those on portfolio investment. The former type includes the net profits earned by unincorporated branches in Canada of foreign companies, apart from insurance companies, together with dividends remitted abroad by subsidiaries. Dividends on direct investment paid by public companies controlled abroad include dividends remitted to all shareholders in the country of control, while the dividends paid by the same companies to minority shareholders resident elsewhere abroad are classified as returns on portfolio investment.

Inter-company payments of interest on funded debt, modest in total, are embodied in the interest item. All remittances of interest and dividends are net of withholding tax paid to the Government of Canada, with the tax rate ranging between zero and 15 per cent; and with significant changes having been introduced in late December 1960, Government revenues from taxes on interest, dividends and other payments abroad rose from $77 million in 1960 to $107 million in 1961 and $122 million in 1962.

Figures included in the income account do not correspond precisely with statistics on non-resident investments in Canada. The latter data are net of investments located abroad appearing in the balance sheets of companies in Canada. On the other hand interest and dividend payments are based on total transactions in these forms by Canadian companies regardless of whether the income was earned in Canada or elsewhere.

The transfer of income abroad has not normally followed directly the realization of profits, particularly in the case of subsidiary or other closely held companies. While many public companies distribute dividends to their shareholders on a fairly regular basis, this is a relatively minor part of the total going to non-resident owners. With this group of companies there are generally comparatively smaller variations in disbursements than in earnings, as a stable dividend rate is found attractive to portfolio investors.

On the other hand, in the direct investment group, which is the source of some three-quarters of total transfers, the range of choices open in the allocation of earnings is considerable. This is particularly the case with the controlling enterprise of wholly-owned subsidiaries. Decisions are usually based on internal administrative factors as to where funds are to be employed within the enterprise as a whole. Needs for cash within or outside Canada are governed by factors such as investment programs and requirements for inventory and working capital, and by tax considerations. Changes in interest, money market conditions and exchange rates may also influence the internal administrative decisions. Such circumstances have been ever shifting, and dividend remittances have fluctuated around the underlying growth trend. The ability to

make an actual income payment is closely related to the liquidity of the company. In general it may be said that, apart from the raising or redemption of capital, changes in liquidity reflect not only reported earnings but also the cash flows from non-cash charges, such as depreciation and depletion, offset by investment for capital expenditure and inventory. With the interplay of this set of variables, moderating economic activity could give rise to larger amounts of cash being available for transfer abroad.

Another aspect of this subject is the flexibility open to companies to utilize their cash position to retire debts rather than to transfer earnings. When the same parent company holds debt as well as equity investment, the distinction between a dividend payment on the one hand and a repayment of debt with a simultaneous growth in undistributed earnings on the other hand has only limited significance. The extent of this practice is, of course, limited by the amount of capital provided in the form of debt.

Payments of interest and dividends rose rapidly from $312 million in 1946 to $475 million in 1950, a year when the proportion of earnings distributed abroad as dividends was unusually high. Remittances then declined to $404 million in 1953, but gained steadily thereafter to $770 million in 1961 and $781 million in 1962, but for a shallow dip in 1960. This was caused by a temporary lag into the first quarter of 1961 of payments of a substantial amount of dividends by a number of Canadian subsidiaries. As there was a considerable increase in the range of income subject to higher withholding taxes, the rise in gross income payments in 1961 was even larger than that in the net figures shown in this report.

In 1961, dividend payments on non-resident direct investment in Canada of $405 million increased nearly 30 per cent over the total for the preceding year, and were more than 20 per cent above the 1958 level. Most of the increases in 1961 was concentrated in dividends remitted by companies controlled in the United States, engaged in manufacturing, mining and merchandising. Within manufacturing, fabricators of durable goods for the home market accounted for much of the increase, which was in part offset by lowered transfers of dividends by pulp, paper and chemicals manufacturers. Larger dividends originating from mining and smelting were caused in the main by substantial transfers in the first quarter of 1961, which normally would have been made in the last quarter of 1960. Payments of sizable non-recurring dividends caused the big gain in payments to the United States on direct investment in merchandising.

Dividend payments on direct investment were estimated at $387 million in 1962, down more than 4 per cent from the peak in the previous year. As net profits of unincorporated branches advanced nearly $10 million, the overall decline was ascribable to a fall in transfers, in particular by companies engaged in mining and trade, whose remittances in 1961 were extraordinarily high.

The steady rise in interest payments which started after the mid-fifties was maintained, although at a slower rate of increase, in 1961 and 1962. Interest payments in the two years were $259 million and $285 million, respectively, as compared with $239 million in 1960 and $128 million in 1956. The influence of new issues of bonds (largely corporate) and trade in outstanding issues offset in part by retirements and the growing impact of the withholding tax accounted for over 60 per cent of the $26 million increase in interest payments in 1962. The change in the foreign exchange rate over the year of the Canadian dollar was responsible for the rest.

Quarterly Estimates since 1949

As seen in Statement 9, a concentration of dividend payments, second in magnitude only to the record peak of the fourth quarter of 1959, took place in the December quarter of 1950. Higher earnings, impending tax changes in the United States and administrative modifications in the Canadian control of foreign exchange, permitting accelerated transfer of earnings, contributed to the large outflow, which accounted for more than 40 per cent of the annual total for 1950. Subsequently more than 30 per cent of the annual remittances has taken place in the final quarter, except in 1960 and 1961 when the proportions were a shade below this level. About one-fifth of the annual remittances has occurred in the March quarter, except in 1955 and 1961, when roughly 28 per cent was transferred. This swelling in dividend payments was largely attributable to a number of subsidiaries making unusually large remittances to their parents in the United States. In the first quarter of 1955, the concentration of payments appears to have been more fortuitous, while the expansion in the March quarter of 1961 was due more to a lagging in transfers from the preceding quarter in 1960. Since 1950, the two middle quarters of the year have each accounted for roughly 20 per cent to 25 per cent of the annual dividend payments abroad.

More than 94 per cent of interest payments and of dividend remittances abroad over the years for which figures are shown in Statement 9A flowed to the United States and United Kingdom, and the share of the income accruing to investors in other countries has been correspondingly small. Interest payments to the United States grew fairly steadily from 81 per cent of the total in 1946 to 88 per cent in 1962, while remittances to the United Kingdom declined from 17 per cent to 6 per cent over the same period. Irregular fluctuations were seen in the case of dividends, with remittances averaging about 82 per cent to the United States and 14 per cent to the United Kingdom. Returns on Canadian equity investment in the United States and the United Kingdom moved within a broad range of 80 per cent of total receipts at the top in 1946 and 1952 and 60 per cent in 1961; and dividend receipts on investment in other countries were thus larger than in the case of payments. More than two-fifths of interest receipts from non-residents, the lightest component of the income account, has originated in the United States over the period under review.

STATEMENT 9. Income Account with All Countries: Quarterly Estimates, 1949-62

Quarter	Receipts		Payments		Quarter	Receipts		Payments	
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends
	millions of dollars					millions of dollars			
1949 I	4	13	22	53	1956 I	5	32	31	84
II	12	14	30	113	II	14	25	32	78
III	3	11	22	57	III	6	19	30	98
IV	7	19	30	63	IV	13	28	35	135
Year	**26**	**57**	**104**	**286**	**Year**	**38**	**104**	**128**	**395**
1950 I	3	10	23	71	1957 I	7	18	33	92
II	13	12	30	90	II	15	25	39	109
III	3	13	23	54	III	8	24	37	101
IV	9	28	33	151	IV	14	43	45	133
Year	**28**	**63**	**109**	**366**	**Year**	**44**	**110**	**154**	**435**
1951 I	4	12	26	74	1958 I	7	24	39	87
II	12	13	30	66	II	15	23	48	88
III	4	15	26	65	III	6	23	41	110
IV	34	21	32	131	IV	35	35	53	146
Year	**54**	**61**	**114**	**336**	**Year**	**63**	**105**	**181**	**431**
1952 I	4	13	25	57	1959 I	8	22	49	96
II	11	21	29	59	II	15	28	57	96
III	6	17	26	69	III	10	30	44	107
IV	39	34	35	113	IV	37	32	60	162
Year	**60**	**85**	**115**	**298**	**Year**	**70**	**112**	**210**	**461**
1953 I	7	20	26	60	1960 I	13	21	54	91
II	14	19	32	70	II	17	22	65	96
III	7	17	29	54	III	11	24	53	104
IV	35	46	34	99	IV	37	28	67	123
Year	**63**	**102**	**121**	**283**	**Year**	**78**	**95**	**239**	**414**
1954 I	5	19	25	63	1961 I	12	24	61	143
II	11	22	37	57	II	17	42	68	106
III	4	19	29	56	III	12	28	58	112
IV	33	34	39	117	IV	38	36	72	150
Year	**53**	**94**	**130**	**293**	**Year**	**79**	**130**	**259**	**511**
1955 I	5	21	33	98	1962 I	10	23	67	112
II	13	19	32	67	II	16	36	76	129
III	4	23	30	61	III	15	29	62	101
IV	32	43	32	130	IV	39	43	80	154
Year	**54**	**106**	**127**	**356**	**Year**	**80**	**131**	**285**	**496**

STATEMENT 9A. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946 and 1950-62

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends	
	millions of dollars														
1946	8	39	101	149	- 203	1	6	21	33	- 47	13	57	125	187	- 242
1950	11	39	90	321	- 361	1	5	15	39	- 48	28	63	109	366	- 384
1951	15	42	95	287	- 325	24	6	15	42	- 27	54	61	114	336	- 333
1952	23	62	96	248	- 259	23	6	15	41	- 27	60	85	115	298	- 268
1953	24	77	101	233	- 233	24	4	16	41	- 29	63	102	121	283	- 237
1954	15	54	108	237	- 276	24	11	17	45	- 27	53	94	130	293	- 276
1955	15	63	107	281	- 310	25	16	16	59	- 34	54	106	127	356	- 323
1956	21	59	107	320	- 347	2	12	16	57	- 59	38	104	128	395	- 381
1957	27	68	129	351	- 385	2	8	17	61	- 68	44	110	154	435	- 435
1958	24	76	153	347	- 400	25	7	18	58	- 44	63	105	181	431	- 444
1959	31	68	179	368	- 448	24	11	20	70	- 55	70	112	210	461	- 489
1960	41	61	205	326	- 429	24	8	18	65	- 51	78	95	239	414	- 480
1961	40	69	225	417	- 533	25	9	17	69	- 52	79	130	259	511	- 561
1962	47	77	252	403	- 531	22	13	17	65	- 47	80	131	285	496	- 579

Dividend Payments by Industry Groups and Destination, 1960

While the geographical distribution of dividend payments over the four recent years from 1958 has shifted little, with 80 per cent on the average destined for the United States, 15 per cent to the United Kingdom and 5 per cent to other countries, larger changes are seen in a comparison by type of investment and by industry. More than 80 per cent of the dividends flowing to the United States originated from direct investment in both years, but the breakdown of payments to the United Kingdom was about fifty-fifty in 1960, as compared with 45 per cent on direct investment in 1958. More than three-quarters of remittances to other countries in 1960 arose from portfolio investment in Canada, and approximately three-fifths in the earlier year.

There was a net reduction of $17 million in dividend payments to all countries from $431 million to $414 million in 1960. This net reduction was made up of a number of offsetting changes. There were declines of about $24 million from mining and smelting, of $11 million from merchandising and of $7 million from utilities, which were offset by increases of roughly $14 million from the integrated petroleum and natural gas industry, of $5 million each from manufacturing and financial institutions, and $1 million from other enterprises.

The reduction between 1958 and 1960 by $24 million, or 30 per cent, in the transfers abroad by Canadian mining and smelting companies is an instance of the inherent volatility of dividend payments. Lower net profits and reduced dividend transfers by companies controlled in the United States accounted for most of this change. The incidence of substantial non-recurring dividends in 1958 together with large losses incurred in 1960 by some unincorporated branches of United States enterprises contributed to the 40 per cent drop in profit transfers from merchandising. Most of the $7 million decline in dividend transfers from utilities arose from the winding-up of a number of shipping companies, whose control lay in the other countries group, and the consequent payment of liquidating dividends in 1958.

STATEMENT 9B. Distribution by Industry and Destination of Dividend Payments on Direct[1] and Portfolio Investments, 1960

Industry	United States			United Kingdom			Other countries			All countries		
	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total
	millions of dollars											
Manufacturing:												
Vegetable products	10.6	6.8	17.4	4.8	1.2	6.0	0.3	0.5	0.8	15.7	8.5	24.2
Animal products	9.2	0.2	9.4	—	—	—	—	—	—	9.2	0.2	9.4
Textiles	1.4	0.2	1.6	1.7	0.5	2.2	—	—	—	3.1	0.7	3.8
Wood and paper products	32.1	7.9	40.0	8.1	1.6	9.7	—	0.7	0.7	40.2	10.2	50.4
Iron and its products	33.2	3.4	36.6	1.0	0.8	1.8	0.1	0.6	0.7	34.3	4.8	39.1
Non-ferrous metals	22.7	0.8	23.5	0.1	0.3	0.4	—	0.7	0.7	22.8	1.8	24.6
Non-metallic minerals	3.6	0.2	3.8	0.2	0.3	0.5	0.4	—	0.4	4.2	0.5	4.7
Chemicals and allied products	22.7	0.7	23.4	4.7	0.2	4.9	1.4	0.2	1.6	28.8	1.1	29.9
Miscellaneous manufactures	5.8	0.1	5.9	—	—	—	—	—	—	5.8	0.1	5.9
Sub-totals	**141.3**	**20.3**	**161.6**	**20.6**	**4.9**	**25.5**	**2.2**	**2.7**	**4.9**	**164.1**	**27.9**	**192.0**
Petroleum and natural gas	51.9	1.8	53.7	—	1.1	1.1	—	1.7	1.7	51.9	4.6	56.5
Mining and smelting	38.6	9.2	47.8	0.6	4.0	4.6	0.2	6.5	6.7	39.4	19.7	59.1
Utilities	5.7	11.1	16.8	0.7	10.7	11.4	0.1	3.9	4.0	6.5	25.7	32.2
Merchandising	8.1	0.8	8.9	6.9	0.1	7.0	0.6	0.1	0.7	15.6	1.0	16.6
Financial institutions	14.2	13.4	27.6	2.4	11.5	13.9	2.2	2.1	4.3	18.8	27.0	45.8
Other enterprises	9.7	0.4	10.1	1.2	—	1.2	—	0.2	0.2	10.9	0.6	11.5
Totals	**269.5**	**57.0**	**326.5**	**32.4**	**32.3**	**64.7**	**5.3**	**17.2**	**22.5**	**307.2**	**106.5**	**413.7**

[1] Dividends on direct investment include net profits of unincorporated branches amounting to $28 million, but not interest of $8 million paid to parent companies on funded debt.

Note: For corresponding estimates for 1958, see Statement 9A in "The Canadian Balance of International Payments, 1959".

The modest rise in total dividends paid abroad by the Canadian manufacturing industry (excluding petroleum refining) masked fairly large but offsetting changes in direct investment dividends flowing to the United States from a number of component industrial groups. Dividend payments originating from the iron and steel industry, including motor vehicle manufacturers, dropped nearly $23 million between 1958 and 1960, and those from the food and beverages group of the vegetable products industry more than $4 million. On the other hand, larger remittances were recorded from the wood and paper products, animal products and chemical and allied products groups of $18 million, $6 million and $3 million, respectively. About $3 million more dividends were transferred to the United Kingdom by Canadian subsidiaries engaged in the manufacture of wood and paper products. With increasing maturity of the investments, roughly one-half of the $14 million gain on United States direct investment in the petroleum and natural gas complex arose from higher net profits from operations of oil companies engaged solely in extraction. Larger dividends from companies engaged in refining and distribution of petroleum products and natural gas as well as in extraction accounted for the balance of the increased dividend transfers in 1960.

The practices of direct investment companies in paying dividends abroad have varied widely in the postwar period as shown in Statement 9C. In the five-year period 1946 to 1950 inclusive 56 per cent of total earnings was distributed. The average payment of 45 per cent over the following decade ranged between the high rate of 55 per cent in 1951 and the low of 38 per cent in 1956, with the proportion for 1960 being 51 per cent. The unusual concentrations of dividend remittances in the December quarter of 1950 and in the first quarter of 1961, referred to elsewhere in the text, were responsible for the high rates of 63 per cent and 58 per cent in the two respective years.

Conversely, retained earnings contracted 15 per cent from $280 million in 1960 to $240 million in 1961, owing largely to the carryover of the usual year-end dividends in 1960 to the following March quarter. In these two recent years on average about 60 per cent of all undistributed earnings was retained by non-resident controlled firms in manufacturing, a little more than 20 per cent in mining, petroleum and natural gas and the remainder in other industries, including utilities, merchandising and financial institutions.

About 95 per cent of the undistributed earnings in the two years vested in investors in the United States. Most of the retained earnings belonging to overseas investors was held by merchandising and financial institutions.

STATEMENT 9C. Estimated Total Returns on Foreign Direct Investment in Canada, 1946-61

Year	Remitted income	Allowance for withholding tax	Undistributed earnings	Total earnings	Percentage of earnings distributed abroad
	millions of dollars				
1946	147	12	120	279	53
1947	183	15	125	323	57
1948	174	14	160	348	50
1949	233	19	155	407	57
1950	309	25	155	489	63
1951	272	23	200	495	55
1952	239	22	310	571	42
1953	215	22	325	562	38
1954	229	22	315	566	40
1955	282	26	365	673	4'
1956	309	26	470	805	3'
1957	335	24	460	819	4'
1958	337	23	260	620	5'
1959	365	24	370	759	4
1960	315	28	280	623	5
1961	405	57	240	702	5
1962	387	54	..	..	.

Long-Term Trends in Dividend Payments

In a comparison in Statement 9D of dividend payments by industry for selected years over a 2-decade period, the returns on foreign investment in Canadian manufacturing fluctuated between 63 per cent of total profit transfers in 1950 and 36 per cent in 1939. The figures, however, would be somewhat higher if the net profits of unincorporated branches, amounting, for example, to about 6 per cent of total profit transfers in 1939, could be allocated industrially. In 1960, over 46 per cent of dividend payments pertained to manufacturing. In both 1939 and 1960, dividend remittances by firms engaged in petroleum and natural gas industry accounted for nearly 14 per cent of total payments, but the proportions were smaller and fluctuated sharply in the intervening years. From a high level of well over 31 per cent in 1939, the percentage of dividends from mining and smelting declined to about 14 per cent in 1960, while the share of payments by the remaining industries (utilities, merchandising, finance and other enterprises) doubled from more than 12 per cent in 1939 to over 25 per cent in 1960. This sharp rise on the part of the service group was attributable to enhanced transfers in particular by financial institutions and utilities.

STATEMENT 9D. Industrial Distribution of Dividend Payments to All Countries, Selected Years 1939 - 60

Industry	1939	1946	1950	1953	1958	1960
	millions of dollars					
Manufacturing:						
Vegetable and animal products	22.6	23.9	42.8	26.2	31.4	33.6
Textiles	3.4	5.0	5.7	2.3	3.4	3.8
Wood and paper products	4.5	9.5	44.5	24.9	30.0	50.4
Iron and its products	9.4	20.2	66.3	34.6	62.9	39.1
Non-ferrous metals	5.1	15.4	29.3	26.3	22.9	24.6
Non-metallic minerals	2.7	3.5	11.6	8.4	4.9	4.7
Chemicals and allied products	13.5	10.1	23.4	19.5	27.0	29.9
Miscellaneous manufactures	0.5	0.6	6.3	5.0	4.3	5.9
Totals, manufacturing	**61.7**	**88.2**	**229.9**	**147.2**	**186.8**	**192.0**
Petroleum and natural gas	23.2	10.9	12.8	18.8	42.9	56.5
Mining and smelting	53.8	34.1	57.1	43.4	83.6	59.1
Utilities	8.5	26.8	23.7	28.2	39.0	32.2
Merchandising	5.5	6.9	16.2	15.0	28.1	16.6
Financial institutions	6.1	5.8	11.3	9.4	40.4	45.8
Other enterprises	1.4	2.0	7.0	5.8	10.1	11.5
Totals, non-manufacturing	**98.5**	**86.5**	**128.1**	**120.6**	**244.1**	**221.7**
Unclassified[1]	9.8	12.3	8.1	15.2	—	—
Totals	**170.0**	**187.0**	**366.1**	**283.0**	**430.9**	**413.7**

[1] Includes net profits of unincorporated branches, which are classified by industry only in 1958 and 1960.

Geographically, dividend payments to the United States and United Kingdom, as shown in Statement 9E, multiplied nearly 2½ times between 1938 and 1960, and about twice since 1946. The three-fold increase in transfers to other countries between 1938 and 1960, however, represented an absolute gain of only $16 million. Dividend payments by Canadian manufacturing to the United States, which expanded over 3 times over this period, accounted for 37 per cent in 1938, 50 per cent in 1960 and 65 per cent of total payments in 1950. While larger in absolute terms, dividend transfers from mining, smelting, petroleum and natural gas commanded lower proportions in 1960. Transfers to the United States by these companies in the manufacturing, petroleum, natural gas, mining and smelting industries accounted for 86 and 81 per cent of all dividend payments to that country in 1938 and 1960, respectively. Financial institutions, which remitted a fractional share of the total in 1938, increased their proportion to over 8 per cent in 1960.

STATEMENT 9 E. Distribution by Industry and Destination of Dividend Payments, Selected Years 1938-60

Industry	United States					United Kingdom					Other countries				
	1938	1946	1950	1958	1960	1938	1946	1950	1958	1960	1938	1946	1950	1958	1960
	millions of dollars														
Manufacturing	49.5	78.0	210.4	159.9	161.6	11.6	9.8	18.9	23.5	25.5	0.6	0.4	0.7	3.4	4.9
Petroleum and natural gas	27.5	10.6	12.5	39.7	53.7	1.3	0.1	0.1	0.9	1.1	—	0.2	0.2	2.3	1.7
Mining and smelting	38.7	28.7	51.0	73.6	47.8	6.4	4.1	4.4	4.2	4.6	4.0	1.3	1.7	5.8	6.7
Utilities	4.4	13.8	13.7	16.6	16.8	5.2	11.8	9.0	13.2	11.4	0.4	1.2	1.0	9.2	4.0
Merchandising	4.2	6.0	15.2	21.9	8.9	0.6	0.7	0.8	6.0	7.0	0.4	0.2	0.2	0.2	0.7
Financial institutions	1.1	2.2	6.1	25.9	27.6	1.3	3.3	4.3	10.8	13.9	0.5	0.3	0.9	3.7	4.3
Other enterprises	0.6	1.9	6.9	9.0	10.1	0.1	0.1	0.1	—	1.2	0.1	—	—	1.1	0.2
Unclassified[1]	8.0	7.8	6.0	—	—	0.5	3.1	1.0	—	—	1.0	1.4	1.0	—	—
Totals	**134.0**	**149.0**	**321.8**	**346.6**	**326.5**	**27.0**	**33.0**	**38.6**	**58.6**	**64.7**	**7.0**	**5.0**	**5.7**	**25.7**	**22.5**

[1] Includes net profits of unincorporated branches, which are classified by industry only in 1958 and 1960 when they totalled about $41½ million and $28 million, respectively.

At 92 per cent and 86 per cent, United States controlled companies engaged in manufacturing, petroleum, natural gas, mining and smelting were responsible for remitting in the beginning and terminal years of Statement 9F even higher shares of direct dividends than the proportions of all dividends destined for the United States from these industries. Dividends remitted by manufacturing concerns under United States control recorded more than a three-fold rise between 1939 and 1960. Within this group the proportion of dividends originating in direct investment in wood, iron and non-ferrous metal fabrication gained but the proportion for chemicals, vegetable and animal products industries declined.

In 1938, manufacturing, mining, smelting and utilities represented 86 per cent of total dividends paid to the United Kingdom. About the same proportion was accounted for in 1960 by financial institutions together with the same three groups, whose individual shares had declined since 1938. Nearly 90 per cent of dividend remittances to other countries in 1960 originated from manufacturing, mining, smelting, utilities and financial institutions.

STATEMENT 9 F. Industrial Distribution of Dividend Payments to the United States by Canadian Companies Controlled in the United States, Selected Years 1938-60

Industry	1938	1939	1946	1950	1953	1958	1960
	millions of dollars						
Manufacturing:							
Vegetable and animal products	..	11.3	14.5	27.1	13.6	17.4	19.8
Textiles	..	1.4	3.4	3.3	0.5	1.6	1.4
Wood and paper products	..	3.7	7.7	32.6	13.4	15.0	32.1
Iron and its products	..	8.3	19.1	63.5	31.3	57.0	33.2
Non-ferrous metals	..	4.8	14.9	29.1	25.6	21.1	22.7
Non-metallic minerals	..	2.2	3.0	10.8	4.7	4.2	3.6
Chemicals and allied products	..	9.6	7.6	19.9	15.7	19.8	22.7
Miscellaneous manufactures	..	0.5	0.6	6.2	4.9	4.2	5.8
Totals, manufacturing	**42.7**	**41.8**	**70.8**	**192.5**	**109.7**	**140.3**	**141.3**
Petroleum and natural gas	27.0	22.3	10.0	11.5	17.9	38.4	51.9
Mining and smelting	26.7	32.8	23.4	44.1	29.3	67.7	38.6
Utilities	3.5	4.7	7.8	6.0	6.4	3.3	5.7
Merchandising	5.3	6.0	8.0	25.3	19.5	20.9	8.1
Financial institutions						12.4	14.2
Other enterprises						8.5	9.7
Totals, non-manufacturing	**62.5**	**65.8**	**49.2**	**86.9**	**73.1**	**151.2**	**128.2**
Totals[1]	**105.2**	**107.6**	**120.0**	**279.4**	**182.8**	**291.5**	**269.5**

[1] Excludes minor "unclassified" transfers except in 1958 and 1960 when net profits of unincorporated branches controlled in the United States, of about $35½ million and $22½ million, respectively, were included and distributed industrially

Interest Payments

Total interest payments to non-residents, as indicated in Statement 9G, were about 10 per cent lower in 1946 and in 1955 than in the last pre-World War II year of 1938. This decline was the effect of heavy wartime repatriation of railway, government and municipal bonds from the United Kingdom, offset in part by sales of the latter type of securities to the United States. From the common level of about $125 million in 1946 and 1955, interest payments abroad increased by two-thirds to $210 million in 1959 and doubled to $259 million two years later. Large new issues of Canadian provincial and municipal government bonds and corporate debentures were sold since the mid-fifties, in particular, to investors in the United States.

Interest payments going to the United States accounted for ever-increasing proportions of the total as relatively few new issues have been placed overseas in recent decades. Investors in the United States received 60 per cent of interest remittances in 1938, 81 per cent in 1946 and 87 per cent in 1961. On the other hand, 39 per cent of total interest was transferred to the United Kingdom in 1938, 17 per cent in 1946 and only about 6 per cent in 1961. From a negligible proportion in 1938, interest paid to investors in other countries grew to more than 6 per cent of the total in 1961.

The proportion of interest on bonds payable in Canadian currency only rose gradually from approximately 18 per cent of the total in 1946 to 24 per cent in 1955 and to over 27 per cent in 1961. Interest remitted on bonds payable solely in foreign currencies likewise increased from roughly 54 per cent in 1955 to more than 67 per cent of the total in 1961, reflecting the heavy new issues sold in the United States in recent years which are payable in United States funds. On the other hand, the proportion of interest received by non-resident holders of Canadian bonds payable optionally in one or more foreign currencies or in Canadian funds declined from 21 per cent of total interest payments in 1955 to 5 per cent in 1961, as older issues with multiple currency terms have been retired.

STATEMENT 9G. Interest Payments on Canadian Bonds and Debentures Held Abroad, by Groups of Issues and Currency of Payment, Selected Years 1938-61

	United States					United Kingdom					Total outside of Canada				
	1938	1946	1955	1959	1961	1938	1946	1955	1959	1961	1938	1946	1955	1959	1961
	millions of dollars														
Government of Canada[1]	20	29	14	14	16	11	—	1	2	1	31	30	17	20	25
Provincial[1]	20	23	32	48	64	3	2	2	2	2	23	25	34	51	68
Municipal	9	9	15	32	45	7	4	1	1	1	16	13	16	34	47
Railway	20	20	9	5	6	28	11	7	8	7	48	32	17	14	15
Other corporation	15	20	37	80	94	5	4	5	7	6	21	25	43	91	104
Totals	**84**	**101**	**107**	**179**	**225**	**54**	**21**	**16**	**20**	**17**	**139**	**125**	**127**	**210**	**259**
Payable in:															
(a) Canadian dollars	..	..	21	35	47	..	..	7	12	12	..	22	31	56	71
(b) Foreign currencies	..	..	61	129	166	..	..	8	7	5	..	103	69	138	175
(c) Optionally in (a) or (b)	..	..	25	15	12	..	..	1	1	—	..		27	16	13

[1] Including gurarranteed issues other than railways.

Interest Receipts

In contrast to the vigorous expansion, already described, in payments abroad of interest, which more than doubled since 1953, and of dividends, which rose 80 per cent, receipts of both interest and dividends increased about 25 per cent between 1953 and 1961. The year 1953 having been a high point in receipts of both interest on official loans and earnings of the Exchange Fund Account, this level for interest receipts was not exceeded until 1959. Following a saw-tooth course characteristic of dividend transfers, receipts of dividends were 7 per cent lower in 1960 than in 1953, but recovered sharply in 1961. The deferment in 1956 and 1957 of servicing of the official loan by the United Kingdom caused interest receipts to fall. Higher receipts in three recent years have been attributable mainly to increased earnings of the Exchange Fund Account.

Dividend Receipts

Dividend receipts from subsidiaries abroad declined in 1960, while receipts on portfolio investment were unchanged. The Canadian parent firms concerned were engaged in manufacturing, mining and service industries. On the other hand, Canadian enterprises engaged in mining and manufacturing received substantially larger dividends from their subsidiaries abroad in 1961, and receipts on portfolio investment were also moderately higher.

Income Transfers on Direct and Portfolio Investments

With an average of over 40 per cent, dividend receipts on direct Canadian investment abroad as a proportion of all interest and dividends received ranged between 50 per cent in 1946 and 25 per cent in 1951. In 1962, the ratio was estimated at nearly 40 per cent. Conversely the returns on portfolio investment as a share of total interest and dividends stood in the same year at over 60 per cent, which was slightly higher than the overall average for the period as a whole. Of the dividends received on direct investment, 54 per cent originated in the United States, 12 per cent in the United Kingdom and 34 per cent in other countries. Canadian investments in these three areas returned 57, 21 and 22 per cent respectively of portfolio income.

Interest and dividends paid on foreign direct investment in Canada averaged about 55 per cent of total payments of interest and dividends over the postwar period; but during the span of 17 years there appeared to be two complete cycles in the fluctuation of the ratios. From a low point of 47 per cent in 1946, when the postwar upward shift in dividend payments was just beginning, the proportion relevant to direct investment rose to a record high level of 65 per cent in 1950 before subsiding to a trough of 54 per cent in 1954. The peak rate for 1950 was caused by a heavy concentration of dividend payments in the final quarter of the year. This phenomenally large remittance was attributable to higher earnings, prospective tax revisions in the United States and an administrative change in Canadian foreign exchange control procedures. After a minor peak of 59 per cent in 1956, there has been a declining tendency, as interest payments which had stabilized over the preceding 4 years began to increase strongly. The proportion of 48 per cent for 1960, approximating the lowest ratio for 1946, resulted from the unusual carryover of dividend remittances by subsidiaries from the final quarter of 1960 to the following quarter in 1961.

Investors in the United States have received on the average roughly 90 per cent of interest and dividends paid on direct investment in Canada, with the shares dipping below this overall average after the early fifties. The proportion of portfolio interest and dividends going to the United States was not as high as that on direct investment but still averaged more than 70 per cent, and ranged between 68 per cent in 1947 and 75 per cent in 1960. In 1961 and 1962, the United States share rose to 77 per cent and over 79 per cent, on account of continuing increases in portfolio dividend remittances and, in particular, in interest payments. Over the period of 17 years, interest and dividends paid on British-owned portfolio investment averaged $45 million but represented a declining proportion from more than 25 per cent in the early postwar years to about 12 per cent in 1962.

STATEMENT 9 H. Distribution of Investment Income: Receipts, 1946 - 62

Year	United States			United Kingdom			Other countries			All countries			
	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Total
	Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		
	millions of dollars												
1946	25	22	12	4	3	2	6	10	8	35	35	22	92
1947	15	21	4	5	3	4	10	10	3	30	34	11	75
1948	16	21	9	6	3	4	9	15	3	31	39	16	86
1949	15	25	19	3	6	5	8	26	4	26	57	28	111
1950	19	31	20	3	3	5	11	24	5	33	58	30	121
1951	18	39	18	4	26	5	7	21	6	29	86	29	144
1952	37	48	21	5	24	5	9	22	5	51	94	31	176
1953	51	50	19	2	26	5	15	21	6	68	97	30	195
1954	28	41	23	10	25	5	24	19	5	62	85	33	180
1955	38	40	28	15	26	5	25	16	7	78	82	40	200
1956	33	47	35	11	3	10	26	22	9	70	72	54	196
1957	43	52	43	7	3	6	28	21	6	78	76	55	209
1958	51	49	57	6	26	7	20	16	7	77	91	71	239
1959	42	57	62	10	25	4	33	15	5	85	97	71	253
1960	35	67	84	8	24	5	25	14	4	68	105	93	266
1961	40	69	72	8	26	5	50	16	5	98	111	82	291
1962	32	92	84	11	24	4	39	13	14	82	129	102	313

STATEMENT 91. Distribution of Investment Income: Payments, 1946-62

Year	United States			United Kingdom			Other countries			All countries			
	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Total
	Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		
	millions of dollars												
1946	134	116	22	11	43	7	2	6	4	147	165	33	345
1947	170	104	17	11	42	5	2	8	3	183	154	25	362
1948	162	105	19	10	40	6	2	6	3	174	151	28	353
1949	216	109	19	14	41	6	3	7	4	233	157	29	419
1950	292	119	17	15	39	5	2	8	3	309	166	25	500
1951	258	124	18	12	45	6	2	9	3	272	178	27	477
1952	216	128	26	18	38	8	5	8	5	239	174	39	452
1953	196	138	24	16	41	7	3	10	4	215	189	35	439
1954	204	141	25	22	40	7	3	13	5	229	194	37	460
1955	249	139	33	30	45	7	3	17	7	282	201	47	530
1956	279	143	44	28	45	8	2	21	12	309	214	64	587
1957	302	178	71	26	52	8	7	24	14	335	254	93	682
1958	301	199	80	26	50	7	10	26	14	337	275	101	713
1959	320	227	81	38	52	8	7	27	26	365	306	115	786
1960	277	254	93	32	51	11	6	33	31	315	338	135	788
1961	361	281	98	37	49	11	7	35	29	405	365	138	908
1962	342	313	101	35	47	11	10	34	31	387	394	143	924

About the figures –

FREIGHT AND SHIPPING TRANSACTIONS

The freight and shipping account covers primarily receipts and payments for the movement of commodities between Canada and foreign countries when these involve an international exchange of services. Credits result from Canadian-operated carriers transporting merchandise exports both inland and beyond the borders of Canada and from conveying commodities between foreign countries or through Canada from one United States point to another. Debits arise from transportation by non-resident carriers of imports to Canada, including inland freight charges on imports from the United States and payments for handling Canadian commodities in transit through the United States by rail, trucks or pipelines. Other types of carriers involved are ocean ships, lake vessels and aircraft. Inland freight is taken into this account because both export and import values are taken f.o.b. point of shipment rather than at the Canadian border for exports and the frontier of a foreign country for imports.

Fees for chartering foreign vessels, wage payments to the crews, whenever called for under the charter agreement, the wage bill of Canadian-owned vessels when paid to non-resident crews and port expenditures, all represent Canadian payments to the rest of the world. Expenditures in Canada by foreign shipping companies, encompassing pilotage, canal dues, harbour charges, stevedoring, fueling, provisioning, advertising, agency fees, etc., are Canadian receipts. The declining participation of ships under the Canadian registry in carrying Canada's foreign trade has been to a considerable extent counter-balanced by the chartering of foreign vessels. Accordingly, expenditures abroad on account of Canadian-operated carriers have grown, with some of these disbursements being external costs of transporting imports as well. At the same time revenues from carrying exports have also increased. The fact, however, that Canadian imports have consisted to a greater degree of fabricated commodities carried by liners with higher transportation charges has contributed to ocean freight payments being well above receipts. For the same reason, inland freight payments on imports from the United States have been higher, particularly in earlier years, than receipts of inland freight on Canadian exports to the United States and overseas. Reinforcing this imbalance have been the longer distances over which American goods often have to be carried before reaching the Canadian border.

Covered elsewhere in the balance of payments statements for convenience of accounting and for historical continuity are passenger fares, international airline expenditures and some railway expenditures, such as rental for freight cars. Passenger fares form an integral part of travel expenditures, while the latter two items are dealt with among other miscellaneous service transactions. As they do not represent international transactions, freight receipts on imports transported by Canadian carriers do not enter as a credit into the balance of payments.

Receipts on freight and shipping services, which exceeded payments by more than 40 per cent in 1946 and which were 20 per cent higher in 1949, slipped below the payments in the fifties , except for 1952, a year characterized by unusually large exports. Net payments in 1962 of $90 million on freight and shipping transactions, which were at about the level of the average deficit for the four most recent years, were lower than the peak deficit of $105 million in 1959 and $91 million in 1960, but $8 million more than that for 1961. Contracting net freight and shipping payments reflected the re-emergence of merchandise export balances, the first since 1954. Smaller deficits were attributed to a sizable increase in receipts of inland freight, offset in part by a combination of a moderate rise in inland freight payments on Canadian imports in the United States and a decline in intransit revenues. Net payments on ocean shipping to foreign operators remained stable for the most part in recent years. Freight payments on imports brought by foreign carriers have been larger than their expenditures in Canadian ports, while payments by Canadian operators of charter fees and for expenditures in foreign ports have exceeded their earnings for carrying Canadian exports abroad and for transporting cargoes between foreign countries.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1955-62

Item	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars							
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	78	76	69	65	59	75	83	89
Charter receipts	9	20	21	9	4	3	2	3
Revenues between foreign ports	28	40	38	29	29	25	28	19
Sub-totals	115	136	128	103	92	103	113	111
Expenditures of foreign ships in Canada	45	48	44	43	48	55	67	74
Gross shipping receipts	**160**	**184**	**172**	**146**	**140**	**158**	**180**	**185**
Inland freight on exports	185	204	194	190	201	207	225	216
Intransit revenues	32	33	38	37	40	38	34	30
Other receipts	21	36	41	28	39	39	47	67
Gross receipts (Table II, item A6)	**398**	**457**	**445**	**401**	**420**	**442**	**486**	**498**
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	95	104	113	96	107	114	130	133
Freight on imports via Canadian ports	77	105	108	113	146	157	164	168
Gross shipping payments	**172**	**209**	**221**	**209**	**253**	**271**	**294**	**301**
Inland rail freight in U.S. on imports:								
Coal via vessel	40	53	50	34	36	35	37	39
Coal via rail	20	25	16	13	12	8	7	6
Other rail freight	121	143	142	114	121	110	98	96
Sub-totals	181	221	208	161	169	153	142	141
Miscellaneous payments	62	72	86	90	103	109	132	146
Gross payments (Table II, item B6)	**415**	**502**	**515**	**460**	**525**	**533**	**568**	**588**
Deficit on freight and shipping transactions	- 17	- 45	- 70	- 59	- 105	- 91	- 82	- 90

In a comparison of the three years 1951, 1956 and 1961 in Statement 10A, net receipts for freight and shipping services from the United Kingdom and from other countries contracted sharply, particularly between the latter two years. A change from net receipts to net payments by Canadian operators of ocean shipping and to a position of heavier net payments to foreign operators in 1961 in each of the two areas accounted in the main for the deterioration. Net payments to the United States rose from $112 million in 1951 to $128 million in 1956 before subsiding to $103 million in 1961, owing in large part to fluctuations in inland freight payments to the United States.

STATEMENT 10 A. Freight and Shipping Transactions Between Canada and Other Countries, 1951, 1956 and 1961

	United States			United Kingdom			Other countries			All countries		
	1951	1956	1961	1951	1956	1961	1951	1956	1961	1951	1956	1961
	millions of dollars											
Ocean shipping												
(a) Canadian operators:												
Receipts:												
(i) Freight on exports from Canada	5	11	23	26	34	33	23	31	27	54	76	83
(ii) Interport and charter receipts	17	14	6	13	12	1	16	34	23	46	60	30
Sub-totals	**22**	**25**	**29**	**39**	**46**	**34**	**39**	**65**	**50**	**100**	**136**	**113**
Payments—Foreign port expenditures and time charter	25	18	19	21	29	43	14	57	68	60	104	130
Balance	− 3	7	10	18	17	− 9	25	8	− 18	40	32	− 17
(b) Foreign operators:												
Payments—Freight on imports	33	40	40	22	30	50	21	35	74	76	105	164
Receipts—Expenditures in Canadian ports	6	5	2	22	21	27	12	22	38	40	48	67
Balance	− 27	− 35	− 38	—	− 9	− 23	− 9	− 13	− 36	− 36	− 57	− 97
*Balance	− 30	− 28	− 28	18	8	− 32	16	− 5	− 54	4	− 25	− 114
Inland transportation												
(a) Intransit revenues	28	33	34	—	—	—	—	—	—	28	33	34
(b) Inland freight:												
Receipts:												
(i) Rail	102	124	118	..	..	..	..	..	..	..	..	..
(ii) Trucks, pipelines, vessels, etc.	6	36	47	..	..	..	..	..	..	..	..	..
Sub-totals	**108**	**160**	**165**	**30**	**31**	**39**	**45**	**49**	**68**	**183**	**240**	**272**
Payments:												
(i) Rail	135	168	105	—	—	—	—	—	—	135	168	105
(ii) Trucks, pipelines, vessels, etc.	83	125	169	—	—	—	—	—	—	83	125	169
Sub-totals	**218**	**293**	**274**	—	—	—	—	—	—	**218**	**293**	**274**
Balance on inland freight	− 110	− 133	− 109	30	31	39	45	49	68	− 35	− 53	− 2
*Balance	− 82	− 100	− 75	30	31	39	45	49	68	− 7	− 20	32
*Aggregate balance	− 112	− 128	− 103	48	39	7	61	44	14	− 3	− 45	− 82

Inheritances and Migrants' Funds

The estimates of migrants' funds cover transfers of money, but exclude exports and imports of migrants' personal and household effects. Following 1953, when receipts and payments of inheritances and migrants' funds were in balance, small net payments developed and grew to $33 million in 1957. While this was the year when the peak of postwar immigration occurred, the per capita funds of the arrivals were unusually low, due in part to the inclusion in the immigrant total of a large number of refugees. Moreover the number of Canadian emigrants to the United States in 1957 was higher than in any other year during the recent 8-year period. The deficit on account of migrants' funds and inheritances continued to increase until 1960 when payments exceeded receipts by $79 million. But in the two subsequent years the deficit narrowed, with fewer Canadians leaving for residence in the United States and with a slow gain in legacy receipts from the United Kingdom after the relaxation in 1959 of transfer restrictions. The number of immigrants arriving in the two recent years were lower than in 1960, but the per capita immigrants' funds were much higher, particularly in 1962.

About the figures –

MISCELLANEOUS CURRENT TRANSACTIONS

Transactions covered in this group represent about one-fifth to one-quarter of total receipts on non-merchandise transactions and more than one-quarter of the payments. Items included under this heading are not shown individually in the quarterly accounts, except for official contributions. But an analysis of the principal components is published in annual reports.

Government Expenditures, n.o.p.

This item includes current international transactions on account of Canadian and foreign governments which are not covered elsewhere in the balance of payments. The largest components of this account are the costs of official representation and military expenditures of a service nature. The account also encompasses government travel promotion expenditures, the acquisition and disposal of property for diplomatic purposes, taxes, pensions, international postal transactions, contributions and membership assessments in international organizations (including among others the United Nations and the Specialized Agencies, the North Atlantic Treaty Organization and the Organisation for Economic Co-operation and Development). Prominent among credits are receipts from the United States for defence construction and the equipment and maintenance of establishments and personnel within Canadian borders.

A fairly sizable part of Canadian government expenditures abroad has taken the form of official contributions, which are shown explicitly on a quarterly basis. These represent shipments or outlays for Canada's economic and special aid programs. Included under economic aid are bilateral programs, featuring the Colombo Plan and several lesser schemes in aid of developing countries in the Commonwealth, and multilateral plans, mostly under the aegis of the United Nations through its Special Fund, Expanded Program for Technical Assistance and Children's Fund. Under special aid programs, Canada has contributed to the relief and resettlement of refugees and to the succour of victims of natural disaster and of famine. Donations of wheat, flour, skimmed milk powder and canned pork have been made for this purpose through the UNICEF, UNRWA and some private relief organizations in Canada.

Canada's contribution of Mutual Aid to NATO countries is in addition to the foregoing government expenditures, but because of the special character of the military assistance, it is not reflected in the current balances. To indicate, however, the magnitude of these contributions, equal amounts are entered on both the receipts and payments sides of the annual statements of the current account – in the global accounts with the rest of the world, but not with the countries or groups comprising Canada's NATO partners. Mutual Aid in the forms of transfer of military equipment and provision of aircrew training in Canada are not accompanied by international receipts or payments of cash. However, the third component of Mutual Aid, viz. contributions towards the NATO military budgets and infrastructure program, does represent cash payments, and the amounts are accordingly included with the regular government expenditures mentioned above. Infrastructure denotes fixed defence installations which are used by the armed forces of more than one country of the alliance.

Personal and Institutional Remittances

Transactions included in this group have some features in common. All are unilateral transfers in character giving rise to no quid pro quo. Other private unilateral transfers are covered in the item Inheritances and Migrants' Funds. Some others more difficult to isolate are included elsewhere among various current account items. Official transfers are represented in the items Official Contributions and Mutual Aid to NATO Countries. Personal remittances cover transfers of a non-commercial nature between individuals resident in Canada and abroad. Remittances by institutions are generally for relief, charitable, religious, educational or research purposes.

Miscellaneous Income

Under miscellaneous income are covered transfers of income or profits, other than those included in the Interest and Dividend Account. They pertain to branch operations of banks and insurance companies; interest paid on inter-company loans, mortgages, savings balances and treasury bills; interest received in more recent years by government corporations for credit extended on sales abroad of Canadian grain and capital goods; and rentals and fiduciary income from the administration of estates, trusts and agencies. The transactions relating to insurance companies represent transfers of net underwriting gain from branch operations, including returns on the employment of shareholders' capital and accumulated reserves, if any, but they also cover some services provided by home office departments. Income from premium collections, reinsurance and claims is dealt with in the business services component of Business and Other Services. Various kinds of personal income are also included in that group. In relating miscellaneous income to Canada's investment position it should be borne in mind that some elements of this income are from sources which are not included in long-term investment statistics.

Business and Other Services

The range of items covered in this group of transactions is extensive, but may broadly be classified as business, professional and personal services. Some of the largest components, particularly on the payments side, are transactions between branches, subsidiaries and other direct investment affiliates in Canada on one hand and their head offices abroad on the other. In the early stages of investment, significant elements of the outlays represent fees for non-resident design, engineering, consulting and other services for industrial techniques and processes, and in some cases, rental of special equipment and machinery. Subsequently in the operational phase, there are appreciable fees for royalties and management and the apportionment of non-resident head office expenses, such as accounting, advertising and research.

It may be noted that due to a great diversity in accounting practices, there is a significant number of subsidiary companies in Canada, whose foreign parent companies have for one reason or another not made specific charges for the services supplied by them. The series for investment income and for business services are influenced by the extent to which these practices may change.

There is also a wide variety of receipts and payments between persons and between unaffiliated enterprises in Canada and abroad for the growing exchange of commercial, financial and professional services. Included are items such as licensing fees for manufacturing patents, processes and trade-marks, franchises, authors' and composers' royalties, copyrights, royalties for master recordings, syndicated features and cartoons, commissions and fees for legal, accounting, management, consulting and other professional services. Payments of rental for foreign films and expenditures of international airlines and of railways, such as rental of freight cars, which are not included in the Freight and Shipping Account, are additional examples of items dealt with among business service transactions. The cost-sharing between Canada and the United States for power development, foreign expenditures of provincial administrations, earnings of international migrant labour and commuters, trade union transfers and sweepstakes remittances are also covered in this account.

The tripling of the deficit on miscellaneous current transactions from $140 million in 1952 to $419 million 10 years later took place in several stages. The deficit increased at an average annual rate of 8 per cent to $185 million in 1956 with the widening in net payments of each item, except higher net receipts on government transactions, n.o.p. Transfers were particularly large in the latter year from the United States authorities in connection with the construction of the Dew Line and other defence installations. With each item contributing, the deficit on miscellaneous current transactions jumped 66 per cent in a single year to $308 million in 1957. Government transactions accounted for nearly two-thirds of this deterioration in the balance, including increases both in official contributions and other government expenditures and a much sharper decline in receipts on government account from the United States, as the height of activity in defence construction was passing. The deficit climbed irregularly thereafter to a peak of $443 million in 1961 before subsiding slightly to $419 million in 1962. About three-quarters of the expansion in the deficit between 1957 and 1961 was attributable to two items—one-half to government transactions and a quarter to business services. During the most recent year, net payments were reduced slightly for every item, except for business services. Only net payments on business services were accordingly at their peak in 1962, the deficits on other items being larger in absolute terms in 1961, except official contributions which reached their highest level in 1959 on account of relief shipments of grain to India and Pakistan. In 1962, net payments on business services accounted for nearly 60 per cent of the deficit of $419 million on miscellaneous current transactions. Personal and institutional remittances contributed about 15 per cent, miscellaneous income 10 per cent, and official contributions and other government transactions each 8 per cent.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-62

All countries	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
Receipts:											
Government transactions	122	149	118	192	219	160	123	131	124	112	114
Personal and institutional remittances	20	22	22	22	23	24	24	24	23	24	26
Miscellaneous income	31	30	33	40	54	55	71	71	93	82	102
Business services and other transactions	108	118	125	137	146	149	157	166	179	185	184
Totals (Table II, item A 11)	**281**	**319**	**298**	**391**	**442**	**388**	**375**	**392**	**419**	**403**	**426**
Payments:											
Official contributions	16	25	11	24	30	40	53	72	61	56	32
Government transactions, n.o.p.	71	128	112	131	139	150	161	135	161	155	149
Personal and institutional remittances	50	55	65	71	79	83	85	95	97	98	91
Miscellaneous income	39	35	37	47	64	93	101	115	135	138	143
Business services and other transactions	245	247	265	280	315	330	343	348	365	399	430
Totals (Table II, items B 9, 11)	**421**	**490**	**490**	**553**	**627**	**696**	**743**	**765**	**819**	**846**	**845**
Net payments:											
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 61	- 56	- 32
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	- 38	- 4	- 37	- 43	- 35
Personal and institutional remittances	- 30	- 33	- 43	- 49	- 56	- 59	- 61	- 71	- 74	- 74	- 65
Miscellaneous income	- 8	- 5	- 4	- 7	- 10	- 38	- 30	- 44	- 42	- 56	- 41
Business services and other transactions	-137	-129	-140	-143	-169	-181	-186	-182	-186	-214	-246
Totals	**-140**	**-171**	**-192**	**-162**	**-185**	**-308**	**-368**	**-373**	**-400**	**-443**	**-419**

STATEMENT 11 A. Miscellaneous Current Transactions by Countries, 1952 - 62

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
United States											
Receipts:											
Government transactions	108	130	98	169	194	133	93	111	101	90	91
Personal and institutional remittances	16	17	17	18	18	18	18	18	18	19	20
Miscellaneous income	21	19	23	28	35	43	57	62	84	72	84
Business services and other transactions	79	87	95	103	107	109	112	120	127	129	126
Totals (Table II, item A 11)	**224**	**253**	**233**	**318**	**354**	**303**	**280**	**311**	**330**	**310**	**321**
Payments:											
Official contributions	—	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	20	25	32	30	24	28	30	29	38	36	40
Personal and institutional remittances	19	21	22	24	27	28	29	32	32	33	29
Miscellaneous income	26	24	25	33	44	71	80	81	93	98	101
Business services and other transactions	224	220	233	245	275	286	293	297	306	333	360
Totals (Table II, items B 9, 11)	**289**	**290**	**312**	**332**	**370**	**413**	**432**	**439**	**469**	**500**	**530**
Net payments:											
Official contributions	—	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	+ 88	+105	+ 66	+139	+170	+105	+ 63	+ 82	+ 63	+ 54	+ 51
Personal and institutional remittances	− 3	− 4	− 5	− 6	− 9	− 10	− 11	− 14	− 14	− 14	− 9
Miscellaneous income	− 5	− 5	− 2	− 5	− 9	− 28	− 23	− 19	− 9	− 26	− 17
Business services and other transactions	−145	−133	−138	−142	−168	−177	−181	−177	−179	−204	−234
Totals	**− 65**	**− 37**	**− 79**	**− 14**	**− 16**	**−110**	**−152**	**−128**	**−139**	**−190**	**−209**
United Kingdom											
Receipts:											
Government transactions	8	9	11	12	12	11	9	8	13	11	12
Personal and institutional remittances	2	2	2	2	2	2	2	2	1	1	2
Miscellaneous income	5	5	5	5	10	6	7	4	5	5	4
Business services and other transactions	19	21	18	20	23	22	25	29	31	32	32
Totals (Table II, item A 11)	**34**	**37**	**36**	**39**	**47**	**41**	**43**	**43**	**50**	**49**	**50**
Payments:											
Official contributions	—	—	—	—	—	—	—	—	3	—	—
Government transactions, n.o.p.	22	62	30	26	33	39	45	34	35	34	34
Personal and institutional remittances	8	9	12	13	14	15	16	18	19	19	19
Miscellaneous income	8	7	7	7	8	8	7	8	11	11	11
Business services and other transactions	12	14	18	20	23	24	27	29	33	36	38
Totals (Table II, items B 9, 11)	**50**	**92**	**67**	**66**	**78**	**86**	**95**	**89**	**101**	**100**	**102**
Net payments:											
Official contributions	—	—	—	—	—	—	—	—	− 3	—	—
Government transactions, n.o.p.	− 14	− 53	− 19	− 14	− 21	− 28	− 36	− 26	− 22	− 23	− 22
Personal and institutional remittances	− 6	− 7	− 10	− 11	− 12	− 13	− 14	− 16	− 18	− 18	− 17
Miscellaneous income	− 3	− 2	− 2	− 2	+ 2	− 2	—	− 4	− 6	− 6	− 7
Business services and other transactions	+ 7	+ 7	—	—	—	− 2	− 2	—	− 2	− 4	− 6
Totals	**− 16**	**− 55**	**− 31**	**− 27**	**− 31**	**− 45**	**− 52**	**− 46**	**− 51**	**− 51**	**− 52**
Other countries											
Receipts:											
Government transactions	6	10	9	11	13	16	21	12	10	11	11
Personal and institutional remittances	2	3	3	2	3	4	4	4	4	4	4
Miscellaneous income	5	6	5	7	9	6	7	5	4	5	14
Business services and other transactions	10	10	12	14	16	18	20	17	21	24	26
Totals	**23**	**29**	**29**	**34**	**41**	**44**	**52**	**38**	**39**	**44**	**55**
Payments:											
Official contributions	16	25	11	24	30	40	53	72	58	56	32
Government transactions, n.o.p.	29	41	50	75	82	83	86	72	88	85	75
Personal and institutional remittances	23	25	31	34	38	40	40	45	46	46	43
Miscellaneous income	5	4	5	7	12	14	14	26	31	29	31
Business services and other transactions	9	13	14	15	17	20	23	22	26	30	32
Totals	**82**	**108**	**111**	**155**	**179**	**197**	**216**	**237**	**249**	**246**	**213**
Net payments:											
Official contributions	− 16	− 25	− 11	− 24	− 30	− 40	− 53	− 72	− 58	− 56	− 32
Government transactions, n.o.p.	− 23	− 31	− 41	− 64	− 69	− 67	− 65	− 60	− 78	− 74	− 64
Personal and institutional remittances	− 21	− 22	− 28	− 32	− 35	− 36	− 36	− 41	− 42	− 42	− 39
Miscellaneous income	—	+ 2	—	—	− 3	− 8	− 7	− 21	− 27	− 24	− 17
Business services and other transactions	+ 1	− 3	− 2	− 1	− 1	− 2	− 3	− 5	− 5	− 6	− 6
Totals	**− 59**	**− 79**	**− 82**	**−121**	**−138**	**−153**	**−164**	**−199**	**−210**	**−202**	**−158**

Of the growth of $279 million in the imbalance on miscellaneous current transactions in the decade ending in 1962, business services accounted for nearly 40 per cent, government transactions, n.o.p. for over 30 per cent, personal remittances and miscellaneous income each about 12 per cent, and official contributions for 6 per cent. A significant factor behind the growth from $137 million in 1952 to $246 million in 1962 in the deficit on business services and other transactions has been the non-resident participation in Canada's active resource development, particularly after the middle of the fifties' decade. Businesses in other countries have sought out direct avenues of investment in Canada not only in petroleum exploration and drilling, construction of oil and natural gas transmission lines, and in other mining, but also in a widespread extension of manufacturing facilities. One result of this expansion through a variety of investment programs has been the spreading of corporate relationships across international borders, accompanied by a growing exchange of business services. Gains in Canadian receipts on these service transactions have been far outweighed by rises in payments to non-residents for services; and the sharper increases in payments in the most recent years may have been influenced by the quickening in the business activity and adjustments following fiscal changes in accounting practices with respect to home office services.

As mentioned before, fluctuations in receipts on government account have been largely influenced by activities connected with defence installations financed by the United States authorities. Defence spending has also been an important element in payments, representing nearly 60 per cent of Canadian government expenditures, n.o.p. abroad. This proportion has been much higher, being over 80 per cent, in transactions with other OECD countries, but about one-half of government expenditures in the United States and the United Kingdom. These defence expenditures in other OECD countries have represented Canadian contributions to the collective defence and deterrent forces of the North Atlantic Treaty Organization. Canada's share has comprised the maintenance in Europe of an army brigade group and an air division together with contributions to infrastructure and military budgets.

After a fairly steady advance from $16 million in 1952, official contributions reached their peak level of $72 million in 1959, but declined thereafter owing to temporary reductions in expenditures, in particular, for capital assistance under the Colombo Plan.

During the 13 years since its inception in 1950, Mutual Aid to NATO countries totalled nearly $1,750 million, with contributions being $57 million in 1950 and $41 million in 1962. An amount of over $950 million, or more than one-half of the total, was, however, dispensed in the 4-year period 1952 to 1955, inclusive, when transfers of military equipment were the heaviest and when air crew training in Canada was in full progress. With, however, the progressive re-establishment of the defence forces of NATO partners in Europe and the build-up of their own air training facilities, transfers of equipment and air crew training in Canada tapered off.

Net payments of personal and institutional remittances more than doubled from $30 million in 1952 to $65 million in 1962, but the imbalance was more pronounced in two earlier years. While this class of receipts gained slightly in the decade, payments have nearly doubled. The inflow in the post-war period of over 2 million immigrants, 70 per cent of them arriving since 1952, and the steady rise in the income of Canadian workers have been important factors supporting the growth in personal remittances. In reflection in part of the origin of a large proportion of the immigrants from areas such as Western and Eastern Europe, China, South America, West Indies and Australia, about one-half of the $41 million increase in remittances since 1952 took place to countries other than the United States and the United Kingdom.

Of the investment income total in recent years, about 30 per cent of receipts and 15 per cent of payments have been represented by miscellaneous income, the larger remainder being dividends and interest on bonds. As seen from Statements 9H and I, these proportions were lower in earlier years, e.g. about 15 per cent of receipts in 1953 and 6 per cent of payments in 1951. Net payments of miscellaneous income, which had not been much above $10 million before 1957, shifted up to $38 million in that year, due mainly to larger transfers by insurance companies and increased payments of interest on inter-company loans. In the years following the deficit on miscellaneous income moved irregularly but rose to the highest recorded level of $56 million in 1961, before declining to $41 million one year later. To yield the peak deficit, receipts of miscellaneous income increased more than 2½ times over 1952 to $82 million and payments about 3½ times to $138 million. In 1961, about 90 per cent of the receipts was represented by transfers of profits of financial institutions, and about the same proportion of payments comprised, besides similar transfers, interest on inter-company borrowings and income from assets managed or administered by trust and loan companies and other financial intermediaries. The decline in net payments on miscellaneous income in 1962 resulted from rather special factors such as interest receipts on credit extended on Canadian exports and receipts of compensation on contract cancellation.

Bilateral Changes

A characteristic bilateral distribution of the Canadian balance of payments has been the occurrence of large current surpluses from transactions with overseas countries, which contributed to covering current deficits with the United States. In the period immediately after the end of World War II, the underlying pattern was emphasized by shortages of numerous commodities and by the extensive rehabilitation of productive facilities in many devastated countries abroad. The basic character of Canada's

STATEMENT 11 B. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1952 - 62

Year	Merchandise exports[1]		Other current receipts[1]		Total current receipts[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1952	2,346	1,993	928	391	3,274	2,384	5,658
1953	2,458	1,694	985	354	3,443	2,048	5,491
1954	2,355	1,574	951	356	3,306	1,930	5,236
1955	2,598	1,734	1,102	416	3,700	2,150	5,850
1956	2,854	1,983	1,161	466	4,015	2,449	6,464
1957	2,931	1,963	1,139	482	4,070	2,445	6,515
1958	2,908	1,979	1,102	448	4,010	2,427	6,437
1959	3,191	1,959	1,189	453	4,380	2,412	6,792
1960	3,040	2,352	1,239	479	4,279	2,831	7,110
1961	3,213	2,676	1,297	548	4,510	3,224	7,734
1962	3,742	2,622	1,441	543	5,183	3,165	8,348
	Merchandise imports		Other current payments[1]		Total current payments[1]		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1952	2,817	1,033	1,306	338	4,123	1,371	5,494
1953	3,046	1,164	1,301	423	4,347	1,587	5,934
1954	2,800	1,116	1,313	439	4,113	1,555	5,668
1955	3,283	1,260	1,452	553	4,735	1,813	6,548
1956	4,021	1,544	1,633	632	5,654	2,176	7,830
1957	3,878	1,610	1,771	711	5,649	2,321	7,970
1958	3,443	1,623	1,743	759	5,186	2,382	7,568
1959	3,727	1,845	1,883	841	5,610	2,686	8,296
1960	3,713	1,827	1,927	886	5,640	2,713	8,353
1961	3,828	1,888	2,068	932	5,896	2,820	8,716
1962	4,217	1,992	2,082	905	6,299	2,897	9,196
	Net balance — Merchandise trade		Net balance — All other current transactions		Net balance — Current account		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
	millions of dollars						
1952	− 471	+ 960	− 378	+ 53	− 849	+ 1,013	+ 164
1953	− 588	+ 530	− 316	− 69	− 904	+ 461	− 443
1954	− 445	+ 458	− 362	− 83	− 807	+ 375	− 432
1955	− 685	+ 474	− 350	− 137	− 1,035	+ 337	− 698
1956	− 1,167	+ 439	− 472	− 166	− 1,639	+ 273	− 1,366
1957	− 947	+ 353	− 632	− 229	− 1,579	+ 124	− 1,455
1958	− 535	+ 356	− 641	− 311	− 1,176	+ 45	− 1,131
1959	− 536	+ 114	− 694	− 388	− 1,230	− 274	− 1,504
1960	− 673	+ 525	− 688	− 407	− 1,361	+ 118	− 1,243
1961	− 615	+ 788	− 771	− 384	− 1,386	+ 404	− 982
1962	− 475	+ 630	− 641	− 362	− 1,116	+ 268	− 848

[1] Excludes Mutual Aid.

trade was, however, modified in later years by important events and developments such as the international incidents in Korea and the Suez, the progress of the reconstruction process and the resurgence of trading nations like West Germany and Japan, the dynamic growth in Canada in particular of the resource industries, the extension of economic and technical aid to developing countries, the evolution of regional trading groups such as the European Economic Community, the lowering of tariffs and easing of other trade restrictions and the return to convertibility of many currencies.

From a peak of over $1 billion in 1952, the overseas surplus trended downwards until 1959 when there was a deficit of $274 million, as recorded in Statement 11B. In the following two years, a strong improvement took place in the balance on current transactions, and the surplus of over $400 million with the overseas for 1961 was higher than in any other year since 1953, but in 1962 it declined to $268 million. The peak deficit with the United States of $1,639 million was reached in 1956, and the estimate for 1961 was 15 per cent lower at $1,386 million with a further reduction in 1962 to $1,116 million. Rising deficits on non-merchandise transactions with both the United States and overseas, and import balances with the former, which were higher in most years than the trade surplus with overseas countries, were the basis of the development in the more recent period up to 1961. Changes in 1962 led to substantial reductions in deficits from each of these sources with the United States, but with overseas countries the drop of about the same magnitude in the export balance from merchandise trade exceeded a small reduction in the non-merchandise deficit.

Canada's traditional export balance on merchandise trade with overseas, ranging since 1951 between approximately $100 million and over $900 million, stood at $788 million in 1961 and $630 million in 1962. These totals were higher than the average surplus of about $500 million for the 12-year period, due mainly to sizable sales of grain to Communist nations. The recurring export balances have been ample to more than cover the deficit on non-merchandise transactions since 1953, except in 1959 when there was a sharp rise in imports while merchandise exports slipped down a little. Contributing to the expansion in the deficit on non-merchandise transactions with overseas have been higher net payments on many accounts, such as travel, interest and dividends, government expenditures, including official contributions, personal remittances and miscellaneous income. The rising level of net payments has been fostered in particular by ever-widening contacts between Canada and the United Kingdom and Western Europe in the fields of defence, business and personal relationships.

Within the overseas area, surpluses have occurred throughout the recent period shown in Statement 11C in transactions with the United Kingdom. In every year but two these surpluses have been larger than those with any other group of countries. At $388 million, the surplus with the United Kingdom represented 38 per cent of the overseas total in 1952, and at $213 million, accounted for nearly 80 per cent in 1962. Transactions with the other metropolitan OEEC (OECD) countries and their overseas associates, which accounted for a large part of the overseas surplus in the early years of the decade, subsequently declined and turned into a deficit in 1959 and thereafter. A small positive current account balance has existed in transactions with the Rest of the Sterling Area, except for a minor deficit in 1959. In transactions with the remaining countries the balance has been negative since the mid-fifties, except for 1961 and 1962. In these years large exports of grain to Communist countries converted the fairly moderate deficits of the preceding period into a substantial surplus, which in 1961 accounted for roughly 60 per cent of net receipts from overseas countries.

STATEMENT 11C. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1952-62

Country or area	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1962
	millions of dollars											
United States	−849	−904	−807	−1,035	−1,639	−1,579	−1,176	−1,230	−1,361	−1,386	−1,116	+270
United Kingdom	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 13	+ 166	+ 187	+ 213	+ 26
Other sterling area	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	− 2	+ 43	+ 27	+ 11	− 16
Other OECD countries	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	− 120	− 14	− 31	− 70	− 39
Overseas territories[1]	+ 7	+ 1	− 14	− 27	− 34	− 37	− 33	− 42	− 27	− 27	− 32	− 5
Other countries	+179	+ 72	+ 9	− 77	− 44	− 28	− 136	− 123	− 50	+ 248	+ 146	−102
All countries	**+164**	**−443**	**−432**	**− 698**	**−1,366**	**−1,455**	**−1,131**	**−1,504**	**−1,243**	**− 982**	**− 848**	**+134**

[1] Overseas countries associated with the other OECD group.

Merchandise Transactions with the United States

Total receipts from the United States for current transactions in goods and services advanced from $4,279 million in 1960 to $4,510 million in 1961 and by nearly 15 per cent to $5,183 million in 1962. Changes in payments to the United States were more moderate, rising from $5,640 million in 1960 to $5,896 million and to $6,299 million in 1962. In consequence, the current account imbalance widened slightly from $1,361 million to $1,386 million in 1961, but fell 20 per cent to $1,116 million in 1962. This deficit compared roughly with the 1958 level of $1,176 million.

The minor widening in the deficit in 1961 was derived from a 12 per cent increase in the deficit on non-merchandise transactions, partly offset by a reduction in the import balance. This latter decline resulted from a larger gain in exports than in imports, while a rise in payments, over double that in receipts, had the effect of adding to the deficit on non-merchandise transactions. Much larger gains in receipts than in payments for both merchandise and "invisible" transactions accounted for the sharp cut in 1962 in the current deficit with the United States.

Merchandise exports expanded nearly 6 per cent to $3,213 million in 1961, and then by more than 16 per cent to the highest recorded level of $3,742 million in 1962.

Shipments of nickel (after declining $25 million in 1960) and petroleum each increased about $60 million in 1961, while those of aircraft and parts advanced about $45 million. Exports of natural gas rose about $20 million, as did those of beef cattle and fresh meat together and of wood pulp, lumber and timber together. Reduced feed supplies from drought conditions caused a heavy movement of feeder cattle from the prairie provinces into the United States. While shipments of non-farm machinery gained about $15 million as did those of scrap iron and semi-fabricated steel together, an increase of nearly $10 million was recorded in exports of aluminum, following a drop of $25 million in the preceding year. Among commodities whose shipments were lower in 1961, uranium fell most sharply, by over $60 million, in continuation of a decline of more than $40 million in 1960. Copper exports fell more than $30 million, while reductions of about $10 million each took place in shipments of iron ore, rolling mill products and farm implements.

Shipments of newsprint represented nearly one-fifth of all merchandise exports to the United States in 1961, while wood pulp accounted for over 8 per cent as did also lumber and timber. The share of each of the three groups—nickel, uranium, petroleum and natural gas—was roughly 5 per cent. The value of these half dozen commodities accounted for over one-half of the merchandise export total.

About four-fifths of the large export gain to the United States in 1962 involved commodities in the wood, iron and other metal and mineral groups. Shipments of iron ore and crude petroleum rose over $80 million each. The increase in exports of semi-fabricated aluminum and of lumber and timber was about half as great, and shipments of both natural gas and of aircraft and parts advanced roughly $30 million. Exports of semi-fabricated nickel increased over $20 million, but those of crude nickel were lower by $5 million. In continuation of the decline in the two preceding years, shipments of uranium fell in 1962. The reduction of about $25 million was, however, not as substantial as in 1960 or 1961. Exports of barley fell back $10 million.

Except for a moderate decline in fuels and lubricants, each of the three groups of consumer goods, industrial materials and investment goods contributed to the $115 million expansion to $3,828 million in 1961 in imports from the United States. After adjustment to reflect aircraft purchases on the basis of progress payments, the large increase over the preceding year in the recorded value of deliveries in 1961 was materially reduced. Imports of passenger automobiles and rolling mill products were down nearly $20 million in each case. Three groups of commodities—non-farm machinery and parts, automobile parts and electrical apparatus accounted for over one-fourth of total imports from the United States in each of the recent four years including 1961. In this year, imports of non-farm machinery and parts amounted to more than $500 million, of automobile parts to nearly $300 million and of electrical equipment to $200 million.

Imports of industrial materials, automobiles and parts, machinery and parts and electrical apparatus largely accounted for the rise in imports from the United States in 1962 from $3,828 million to $4,217 million. About one-quarter of the increase was attributable to industrial materials and slightly higher proportions to machinery and to automobiles and parts.

Non-merchandise Transactions with the United States

The deficit on non-merchandise transactions with the United States rose $83 million from $688 million to a record high level of $771 million in 1961, before subsiding in 1962 to $641 million. In 1961, the United States share of the "invisible" deficit with all countries stood at nearly 67 per cent, as compared with almost 63 per cent and 64 per cent in the preceding and following years, respectively. An expansion in 1961 of $104 million in the deficit on interest and dividends in itself exceeded the $83 million increase in net payments on all service transactions. The deficit on government account, miscellaneous income and business services together widened over $50 million. On the other hand, net payments of travel expenditures declined $63 million, and the deficit on shipping services and migrants' funds narrowed more moderately.

The jump in 1961 of nearly 25 per cent in the income account deficit from $429 million to $533 million resulted mainly from a sharp rise in payments, as receipts of interest and dividends from the

United States increased also, but only by 7 per cent to $109 million. Payments expanded more than 20 per cent from $531 million to $642 million, with interest payments rising 10 per cent to $225 million and those of dividends gaining 28 per cent from $326 million to $417 million. Over a half of this sizable rise in dividend payments took place in the first quarter of 1961 when there was an unduly heavy concentration of dividend transfers by some Canadian subsidiaries to their parents in the United States, some of which normally would have been remitted in the closing quarter of 1960. Increased holdings of Canadian bonds through large sales in the United States market of new corporate, provincial and municipal debentures, offset in part by fairly substantial retirements, accounted for about two-thirds of the $20 million increment in interest payments. The remaining third was due to the higher cost of meeting interest payable in foreign exchange, arising out of the devaluation of the Canadian dollar in terms of United States currency.

A further reduction in 1961 in outlays by the United States authorities for defence installations in Canada, partly offset by a small decline in payments, lowered the surplus on government account moderately. Lower current transfers to Canada by insurance companies, the absence in 1961 of fairly sizable receipts of compensation for contract cancellation and larger payments of miscellaneous income contributed to raise the deficit on these transactions by some $17 million. The trend towards increases in payments to the United States for business services quickened in 1961, while receipts remained almost unchanged, thereby adding $25 million to the deficit.

The acceleration in 1961 in the improvement in the travel balance with the United States, which started after 1958, was due to a more than 15 per cent rise in receipts to $435 million, combined with a slight subsiding in payments from the peak of $462 million in 1960. The significant increase in receipts stemmed from a larger number of visits and a higher average expenditure per visitor, up approximately 13 per cent over 1960. In 1961, United States residents made more than 30 million trips to Canada, which were nearly 3 per cent more numerous than in the previous year. Accordingly the share of the deficit on non-merchandise transactions ascribable to the travel account fell from more than 12 per cent in 1960 to 3 per cent.

With a smaller number of Canadians emigrating to the United States in 1961, net payments of migrants' funds were reduced, as receipts from immigration remained almost stable. The deficit on shipping services with the United States of $103 million was little changed as receipts and payments showed corresponding gains. The contribution of these two accounts to the deficit on "invisible" transactions remained fairly important in 1961. The freight and shipping services and migrants' funds and inheritances accounted respectively for more than 13 per cent and nearly 11 per cent of the non-merchandise imbalance.

All the accounts, except business services and government expenditures, contributed to lowering the non-merchandise deficit by $130 million from the 1961 peak to $641 million in 1962, which was identical with the 1958 level. Nearly 90 per cent of this improvement was represented by a turn-around of $114 million from a $24 million deficit in the travel account to a sizable surplus of $90 million, in a vigorous extension of the favourable course in evidence over the several preceding years. This surplus, first one since 1951, was brought about by a gain in receipts from American visitors of $75 million, or 17 per cent, combined with a decline of some $39 million in expenditures by Canadians travelling in the United States during 1962. Important factors generating the surplus included the stabilization of the Canadian dollar at a lower value in terms of foreign currency and the reduction about the mid-year in the privilege of duty-free purchases by Canadian tourists abroad.

In company with increased merchandise trade with the United States, both receipts and payments on freight and shipping services rose in 1962. But as the increase in receipts was nearly twice that of payments, the deficit on this account was reduced $13 million to $90 million. Receipts were higher in 1962 of inland freight, in particular, for rail and pipeline transportation of crude petroleum and other commodities exported to the United States. Similarly payments of inland freight in that country on Canadian imports increased, but more moderately, as did also payments for shipping services on United States vessels. The deficit on migrants' funds and inheritances was reduced further owing to higher per capita funds of immigrants arriving from the United States in 1962. After the extraordinary rise in 1961, net payments on interest and dividends declined a shade to $531 million in 1962, as the increase in receipts slightly exceeded that of payments. This imbalance, as compared with the proportion of nearly 70 per cent in 1961, accounted for over 80 per cent of the narrowed deficit on all non-merchandise transactions with the United States, on account of the shift to a surplus position in the travel account in 1962. The value of gold production increased slightly to $165 million.

With the rising production of goods and services in Canada, business service payments, covering items such as royalties, franchises, engineering and management fees to head offices and other non-residents in the United States increased some 8 per cent during the year. This change, together with a small decline in the surplus on government account but with moderate reductions in the deficit on miscellaneous income and personal and institutional remittances, resulted in widening the deficit on "all other current transactions" by nearly $20 million to $209 million in 1962.

Transactions with the United Kingdom in 1961

The current account surplus with the United Kingdom rose more than 12 per cent to $187 million in 1961, as a result of a small increase in the trade surplus from $313 million to $331 million combined

with a minor reduction in the deficit on non-merchandise transactions to $144 million. Total receipts from the United Kingdom were $1,145 million in 1960 and $1,153 million in 1961, while total payments were estimated at $979 million and $966 million in the two years. Commodity exports remained unchanged at the high level of $924 million, while imports at $593 million in 1961 were down moderately from the preceding year.

Exports of nickel and products gained $35 million and those of platinum $10 million, while about a $7 million decline was recorded in shipments of uranium and also of aluminum and products. Barley exports declined nearly $25 million, while shipments of iron ore and those of semi-processed steel products together dropped more than $25 million from an extraordinarily high level in 1960. There were other smaller changes covering various commodities, but instances of increases outnumbered those of declines.

Among commodities imported from the United Kingdom, passenger automobiles recorded the sharpest decline of more than $40 million from the peak level in 1960 of approximately $105 million, which was $20 million above the 1959 total. Imports of semi-fabricated steel products were about $10 million lower in 1961. Imports of engines and boilers were considerably higher and of non-farm machinery moderately so. The sizable rise in aircraft imports reported in trade returns was not reflected in the balance of payments when account is taken of larger progress payments made by airlines during 1960.

Small and offsetting changes combined to reduce slightly the deficit on non-merchandise transactions with the United Kingdom from $147 million to $144 million. At $52 million, net payments of interest and dividends accounted for 36 per cent of the "invisible" deficit with this country, as compared with $51 million in 1960, representing nearly 35 per cent. The identical deficit on travel account of $50 million represented between 34 and 35 per cent in the two years. Net payments of government expenditures of $23 million and of personal remittances of $18 million accounted for 16 per cent and more than 12 per cent respectively in 1961.

Transactions with the United Kingdom in 1962

Canada's current account surplus with the United Kingdom became again more favourable in 1962, by increasing $26 million to $213 million, which was the highest level since 1956. This continued advance resulted from a fall of nearly $30 million in total payments on goods and services to $938 million, offset by a very slight decline in total receipts to $1,151 million. A rise in merchandise surplus contributed $18 million and a reduction in net payments on "invisible" transactions $8 million towards the improvement.

At $924 million, merchandise exports to the United Kingdom remained unchanged in 1962 at the level for the two preceding years. Within the stable totals, however, were fairly important changes covering a number of commodities. Aluminum shipments advanced $10 million in 1962, as did also those of food, including cheese, dried lentils, and canned vegetables, fruit and salmon; and barley and soya bean products were each some $7 million higher. Exports of tobacco, newsprint, container board, veneers and plywood recorded moderate gains. On the other hand, shipments of nickel were some $18 million lower, and of semi-processed copper about $9 million less. Exports of flaxseed and oil, iron ore, plastics and synthetic rubber declined more moderately.

The decline in merchandise imports from the United Kingdom was extended in 1962, when the total stood at $575 million, $18 million below $593 million for 1961. Imports of aircraft and engines (adjusted to take account of progress payments) and aircraft parts together fell more than $30 million in 1962; and those of automobiles and electrical apparatus were moderately lower. Larger imports were indicated in the cases of wool and synthetic materials, non-farm machinery, military weapons, aluminum plates and sheets and chemicals. Increases and decreases, mostly small, among non-merchandise transactions combined to reduce further the deficit on non-merchandise transactions with the United Kingdom from $144 million to $136 million in 1962. A $4 million decline in payments of interest and dividends to $82 million together with a slight rise in receipts reduced the deficit on the income account by $5 million, on a preliminary basis, to $47 million. A larger number of immigrants arriving in 1962 from the United Kingdom and a reduction in the number of emigrants from Canada combined to raise net receipts of migrants' funds and inheritances by $8 million to $10 million. On account of moderate declines in receipts and payments, the surplus on freight and shipping services was reduced to $3 million.

Transactions with the Rest of the Sterling Area

The surplus on current transactions with the Rest of the Sterling Area declined from $43 million in 1960 to $27 million in 1961 and to $11 million in 1962. Total receipts were estimated at $409 million, $424 million and $421 million in the three years, while total payments rose successively from $366 million to $397 million and to $410 million. Within these totals, the merchandise surplus declined from $56 million to $33 million and to $9 million, while the balance on service transactions, including official contributions, improved slightly from deficits of $13 million and $6 million in 1960 and 1961 to a surplus of $2 million in 1962.

Merchandise exports declined from $340 million to $331 million in 1961. Exports of lumber, timber, newsprint, aluminum, automobiles and parts fell noticeably from the high levels of 1960, with most of the reductions taking place in shipments to Australia and the Republic of South Africa. In partial offset, there were moderate increases in exports of wheat, flour and non-farm machinery. Higher imports of some commodities including sugar, vegetable oils,

jute fabrics, and bauxite alumina, offset in part by decreased imports of other commodities such as rubber and petroleum, caused merchandise imports from the Rest of the Sterling Area to move up from $284 million to $298 million in 1961.

Shipments of Canadian goods to the Rest of the Sterling Area increased by $7 million to $337 million in 1962. Exports to Australia were up substantially, and to Nigeria moderately, while exports were lower to such countries as India, Pakistan, Hong Kong and and New Zealand. Shipments to Australia of automobiles and parts, semi-processed aluminum and steel, lumber and plastics were, among other commodities, higher, while newsprint exports declined slightly. Wheat and wheat flour accounted for the export increase to Nigeria. Lower shipments of wheat accounted for most of the decline to India and Pakistan. Exports of aluminum were reduced to India and to Hong Kong, and shipments of plastics declined to the latter country. Newsprint, semi-fabricated steel and pulp and paper machinery were involved in reduced export totals to New Zealand. Imports from the Rest of the Sterling Area rose 10 per cent to $329 million in 1962, with the increments well distributed among the various component countries, but in particular India and Australia. Raw sugar and jute fabrics were featured prominently in larger imports from India, and fresh meat, dried fruits, wool and steel in increased imports from Australia. Crude rubber imports from Malaya were higher, but imports of petroleum from Kuwait were down $10 million.

A gain in dividend receipts, including an extraordinary transfer during the first half of 1961, expanded the surplus on the interest and dividend account by $25 million to $42 million. But with smaller changes in the opposite direction, including a decline in the freight surplus and rises in the travel deficit and in official contributions, the non-merchandise deficit was about halved to $6 million in 1961. The gift of two vessels from the Canadian Government to the West Indies Federation represented most of the rise in official contributions. A sharp drop took place in official contributions in the following year, particularly in shipments under the Colombo Plan, from $49 million to $25 million. Partial offsets were provided by a fall in receipts of interest and dividends and a small rise in the travel deficit.

Transactions with Other OEEC Countries in 1961

Between 1960 and 1961, the deficit on current transactions with other OEEC countries widened from $14 million to $31 million. This change was caused by a reduction in the export balance from $220 million to $202 million. The deficit on "invisibles" remained virtually unchanged at $233 million. Total receipts were $747 million in 1961, as compared with $707 million in 1960; and total payments in the two years amounted to $778 million and $721 million. Merchandise exports rose from $591 million to $618 million, while imports grew from $371 million to $416 million. Exports of wheat, copper, asbestos and aircraft and parts were up moderately in 1961, while shipments of nickel and aluminum declined more substantially. Larger imports from the OEEC countries occurred in industrial materials, investment and consumer goods.

Mainly modest and offsetting changes lowered the deficit on non-merchandise transactions with the other OEEC countries by $1 million to $233 million, which accounted for 20 per cent of Canada's non-merchandise deficit with all countries in 1961. In that year, net payments on government and on travel accounts covered more than one-half of the deficit with the other OEEC group. Net freight payments accounted for 20 per cent; and approximately 10 per cent each of the deficit on non-merchandise transactions was represented by interest and dividends, personal remittances and miscellaneous income.

With travel receipts remaining steady, larger payments were responsible for the $7 million expansion in the travel deficit to $59 million. The effect on expenditures of higher costs of foreign currencies and of the increase in the number of Canadian travellers to Western Europe was tempered somewhat by the shorter average length of their visits abroad in 1961. As in the case with travel expenditures, receipts on government account held unchanged, but expenditures fell $10 million to $66 million. Smaller contributions to the NATO infrastructure programme were mainly responsible for this reduction.

Transactions with Other OECD Countries in 1962

The current account deficit more than doubled to $70 million in 1962, with most of the adverse change being attributable to commodity trade. An increase in merchandise imports of $44 million was in part offset by a gain of $6 million in exports. Within the OECD group, Canadian exports increased to countries such as the Netherlands, Italy and Greece and declined to others including France, West Germany, Belgium and Luxembourg. Small increases in shipments of commodities such as oil seeds, lumber, pulp, aircraft, engines and parts, aircraft instruments and ships were recorded, while exports of nickel, copper, semi-fabricated steel and other metals, and plastics and synthetic rubber were moderately lower. Rises in exports of aluminum to Sweden, Italy, Spain and the Netherlands were to a large extent counterbalanced by reduced shipments to West Germany.

Canada drew on nearly all the countries in the group for increased imports in 1962, but in particular on Norway and West Germany. Nickel bars and other non-ferrous metals and products accounted for the rise in imports from Norway; and imports of non-farm machinery and electrical apparatus were, among other commodities, larger from West Germany.

Although the 1962 deficit of $234 million on non-merchandise transactions with the other OECD countries was practically unchanged from that for the two preceding years, there were offsetting

changes in the balances of some service items. Net payments on freight and shipping services and on income account worsened, while improvements were recorded in other items, including migrants' funds. A decline in receipts together with a rise in freight payments widened the deficit by nearly 20 per cent to $56 million. Net freight payments together with a fairly sizable deficit on government account and on travel, which remained almost stable at $60 million, accounted for about three-fourths of the deficit on all non-merchandise transactions with the other OECD countries in 1962.

Transactions with Other Countries in 1961

The sharp turn-around in 1961 of nearly $300 million in the balance on current transactions with other countries than those described above from a deficit of $77 million in 1960 to a surplus of $221 million was largely attributable to a jump in merchandise exports. The balance on merchandise trade shifted from a deficit of $64 million to a surplus of $222 million. Over four-fifths of the rise in merchandise exports from $497 million to $803 million was ascribable to larger exports of grain, with most of the increase being concentrated in shipments to Mainland China and to other countries in the Communist group. Among the commodities which contributed to an increase of about $50 million in exports to Japan were wheat, lumber, scrap and pig iron, and aluminum. In trade with Latin America shipments of newsprint, wood pulp, aluminum, asbestos and electrical apparatus were moderately higher in 1961. Commodity imports from the "other countries" group totalled $581 million in 1961, up $20 million from the preceding year. Included in this change were increases of $25 million in imports of petroleum and fuel oils from Latin America and Saudi Arabia, offset by a reduction of nearly $10 million from Iran.

Canada's service transactions with other countries have been near balance in recent years. A deficit of $13 million was narrowed to that of $1 million in 1961, owing to an increase in the freight account surplus and smaller official contributions, which were offset in part by heavier government expenditures over the area. Receipts for transportation services grew three times as much as payments, yielding an increase of $14 million in the surplus. Donations of wheat flour declined in 1961, as did also shipments of other relief supplies. On the other hand, the Canadian Government made fairly sizable contributions in 1961 towards financing the United Nations operations in the Congo.

Transactions with Other Countries in 1962

Following the substantial improvement in 1961 to a surplus of $221 million in current transactions with other countries, the surplus was just about halved to $114 million in 1962, due to changes in merchandise trade. Exports declined 8 per cent to $736 million, while imports increased 8 per cent to $628 million. The cut in the value of wheat shipments to Eastern Europe was roughly equivalent to the decline in exports to the entire other countries group. Exports fell also to other countries such as Cuba, Japan and Argentina, but exports increased to Mainland China, although not as substantially as in 1961. This rise was occasioned by growing shipments of wheat, offset in part by reduced exports of barley. Metals and minerals, such as scrap and pig iron, aluminum and zinc, accounted for most of the decline in exports to Japan. Crude copper was an exception, with shipments being higher in 1962. Exports of newsprint, semi-processed steel and aluminum were lower to Argentina.

About 60 per cent of the import increase originated in Latin America and the Netherlands Antilles. This rise was well spread among the constituent countries, but Venezuela and Mexico contributed more than others to the growth. Imports of crude petroleum from Venezuela were over $15 million greater, but those of fuel oils lower. Imports of raw cotton, vegetables and other food products and some metals and minerals were higher from Mexico. Canada purchased $10 million more crude petroleum from Iran in 1962.

A small surplus developed in 1962 in transactions with other countries in the "invisibles". Canada's contributions in this year towards the peace maintaining activities of the United Nations, particularly in the Congo, were lower. Receipts of interest were fairly sizable for extending credit on sales of grain to Mainland China and of other Canadian commodities to some other countries. In partial offset was a reduction in receipts for freight and shipping services provided to the other countries group.

Multilateral Settlements

After the temporary divergence in 1959, the traditional pattern of multilateral settlements between Canada and other countries was restored in 1960 and maintained in the following two years, as shown in Statement 11D. In 1961 a sharp reversal took place in the balances on transactions, both on current and capital accounts, with overseas countries other than the United Kingdom and other Sterling Area countries. A current account surplus of $190 million occurred in 1961, as compared with a deficit of $91 million in 1960 and even larger imbalances in the two preceding years. After increases in inflows in several preceding years to a peak of $175 million in 1960, there were capital outflows totalling $124 million to the other countries in 1961. A further outflow of $60 million to international financial agencies, representing changes in Canadian dollar holdings and subscriptions, was higher than those of $11 million and $56 million respectively in 1960 and 1959. Combined with positive balances arising from transactions with the Sterling Area, which at about $250 million were not much changed between 1960 and 1961, net credits available from transactions with the overseas countries amounted to $332 million and $259 million in the two respective years. In 1962, the current account surplus with the overseas countries declined by about a third to $268 million, with the entire drop being attributable

to countries outside the Sterling Area. At $72 million, capital outflows were somewhat lower in 1962, but the outward movement in that year of $89 million was to the Sterling Area, while the outflow in 1961 of $124 million was to other overseas countries. On the other hand a substantial inflow of $374 million represented primarily international financial assistance in 1962, as compared with the $60 million outflow in the previous year. Altogether net credits arising from transactions with all countries other than the United States more than doubled to $570 million in 1962.

These credit balances were used to cover debit balances in transactions with the United States. Substantial inflows on direct and portfolio investments and of other capital movements from that country were not sufficient to fully counterbalance deficits on current account, which remained nearly $1.4 billion in 1960 and 1961. The inflow of capital on direct and portfolio investments from the United States increased to over $800 million in 1962, but other capital movements changed from an inflow of more than $370 million to an outflow of almost $260 million. The net capital inflow from the United States covered just under one-half of the reduced current account deficit of $1.1 billion with that country in 1962. The remainder was made up by net credits with overseas countries and changes in Canada's net position with the International Monetary Fund, included under international financial agencies.

STATEMENT 11 D. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1958-62

Item	1952	1958	1959	1960	1961	1962
	millions of dollars					
Net receipts (+) from overseas countries						
Current account balance:						
United Kingdom and other sterling area countries	+ 502	+ 173	+ 11	+ 209	+ 214	+ 224
Other overseas countries	+ 511	− 128	− 285	− 91	+ 190	+ 44
Sub-totals	+ 1,013	+ 45	− 274	+ 118	+ 404	+ 268
Capital transactions:						
United Kingdom and other sterling area countries	− 16	+ 91	+ 57	+ 50	+ 39	− 89
Other overseas countries	+ 11	+ 89	+ 95	+ 175	− 124	+ 17
International financial agencies[1]	− 1	− 1	− 56	− 11	− 60	+ 374
Sub-totals	− 6	+ 179	+ 96	+ 214	− 145	+ 302
Total balance settled by exchange transfers	**+ 1,007**	**+ 224**	**− 178**	**+ 332**	**+ 259**	**+ 570**
Net payments (−) to United States						
Current account balance	− 849	− 1,176	− 1,230	− 1,361	− 1,386	− 1,116
Capital transactions:						
Direct and portfolio investments	+ 417	+ 830	+ 886	+ 645	+ 755	+ 805
Other capital movements	− 575	+ 122	+ 522	+ 384	+ 372	− 259
Sub-totals	− 158	+ 952	+ 1,408	+ 1,029	+ 1,127	+ 546
Total balance settled by exchange transfers	**− 1,007**	**− 224**	**+ 178**	**− 332**	**− 259**	**− 570**

[1] Subscriptions and changes in short-term Canadian dollar holdings, including in 1962, $326 million representing drawings of foreign currencies by Canada from the International Monetary Fund.

CAPITAL MOVEMENTS

Background and Summary

The outline of Canada's balance of international payments in the years 1960 through 1962, shown in statement 11 E, is deceptively simple. The deficit on current account continued to contract from the record level of $1,504 million established in 1959. Capital inflows in long-term forms fell from $1,148 million in 1959 to about $900 million in 1960 and 1961 and to $672 million in 1962, while capital inflows in short-term forms ranged between $300 million and $400 million in each year. On balance in both 1961 and 1962 practically all of the net capital inflow in long-term forms was from the United States.

STATEMENT 11 E. Summary of the Canadian Balance of International Payments, 1960 - 62

	1960	1961	1962	1960		1961		1962	
				First half	Second half	First half	Second half	First half	Second half
	millions of dollars								
Capital movements in long-term forms	900	910	672	682	218	525	385	– 24	696
Capital movements in short-term forms[1]	304	362	332	28	276	289	73	– 289	621
Balance on goods and services	– 1,243	– 982	– 848	– 803	– 440	– 648	– 334	– 695	– 153
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	– 39	+ 290	+ 156	– 93	+ 54	+ 166	+ 124	– 1,008	+ 1,164

[1] Excluding items in final line.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

Behind the annual totals lies concealed the anatomy of the severe exchange crisis experienced by Canada in the early summer of 1962 and the effects of remedial measures and other developments through the course of 1962 which stand out clearly in quarterly or semi-annual series.

Some of the balance of payments problems which Canada faced in the second quarter of 1962 were not new. The persistent deficits on current account, varying with changing commodity trade conditions but based on an apparently intractable deficit from non-merchandise transactions, had exceeded the capital inflow in long-term forms each year after 1956. By mid-1960 the accumulated current account balance since the end of World War II exceeded the corresponding capital movement in long-term forms; over the period Canada had begun to borrow "short".

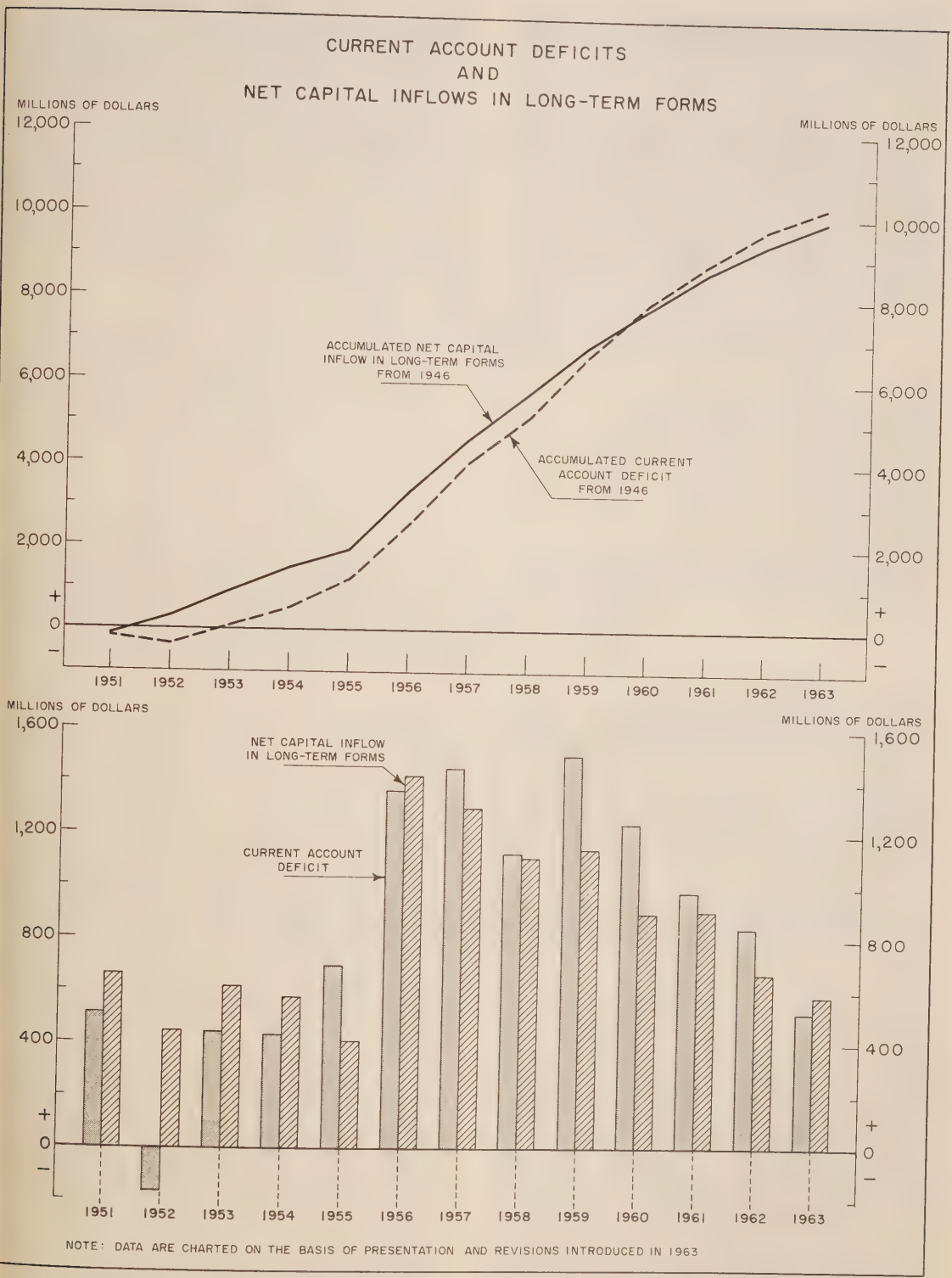
The completion of some extended capital projects, unused productive capacity, and uncertainties arising at provincial and national levels added to the problems of the Canadian balance of payments.

Arising from the view that the balance of payments situation was inappropriate to the prevailing conditions, a number of steps were taken in the budget of December 1960 with the objective of helping the Canadian economy to achieve an improved equilibrium with the outside world. These included measures designed to encourage Canadian initiative and enterprise and to influence the volume and character of Canadian savings, investment and capital flows. Further measures were announced in the budget of June 1961 to reduce the adverse balance on goods and services account. These included steps to narrow the interest differential between Canadian and foreign capital markets, and to reduce the high level of the exchange rate.

These measures to restore equilibrium were not fully effective in the situation which developed.

Capital movements in long-term forms continued to contract, and in the second quarter of 1962 turned outwards. With growing uncertainty, outward private movements in short-term forms developed on a substantial scale. The pressure of a substantial net export of private capital from Canada combined with the current account deficit to exert heavy demands on official holdings of gold and foreign exchange.

Following six successive months of decline in Canada's official holdings of gold and United States dollars, from a peak of $2,110.6 million in terms of United States funds at the end of October 1961 to $1,594.8 million at the end of April 1962, the Minister of Finance announced that effective May 3 the international exchange rate of the Canadian dollar was being stabilized at 92½ cents in terms of United States currency. The new rate had been formally established with the concurrence of the International Monetary Fund and the Government of Canada undertook to maintain it within the normal margin of one per cent on either side.



NOTE: DATA ARE CHARTED ON THE BASIS OF PRESENTATION AND REVISIONS INTRODUCED IN 1963

The reintroduction of a stabilized exchange rate ended the period of the "floating rate" which had prevailed since September 1950. In review, the Minister indicated that while this system had had certain advantages the Government had concluded that it would be desirable to give those engaged in international transactions firm assurance of stability with regard to the exchange rate. Canada had been confronted for a decade with large deficits in its international trade and payments associated with excessive capital imports and consequent overvaluation of its currency. To meet this situation the Government had taken a series of steps, already referred to, designed to facilitate an orderly movement of the exchange rate to a level more in keeping with the country's balance of payments. Since June 1961, the exchange rate had been held within a narrow range. For some months during the autumn of 1961 the Government bought United States dollars on a large scale at about $1.03. During the winter months from January through April when the demand for foreign exchange exceeded the supply the Government provided a substantial volume of United States dollars to the market at a price of about $1.05. The new rate, equivalent to about $1.08, had been established after assessment of the factors involved, including the attitudes in the foreign exchange market and the nature of the exchange transactions which had been taking place in recent months.

STATEMENT 11F. Changing Composition of Capital Movements, 1955-62

	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars							
Transactions with non-residents affecting:								
Net external long-term debt of Canadian governments[1]	- 173	292	217	323	520	180	137	405
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	713	727	750	602
Canadian direct and portfolio investments abroad (increase, -)	- 80	- 102	- 62	- 45	- 113	- 69	- 109	- 195
Capital flows in long-term forms, n.i.e.	49	152	42	100	28	62	132	- 140
Capital flows in short-term forms	244	- 10	49	128	345	304	362	332
Total capital inflow	**654**	**1,414**	**1,350**	**1,240**	**1,493**	**1,204**	**1,272**	**1,004**
	1955	1956	1957	1958	1959	1960	1961	1962
	per cent							
Transactions with non-residents affecting:								
Net external long-term debt of Canadian governments[1]	- 26	21	16	26	35	15	11	40
Foreign direct and portfolio investment in Canadian concerns	94	76	82	59	48	61	59	60
Canadian direct and portfolio investments abroad (increase, -)	- 12	- 7	- 5	- 3	- 8	- 6	- 9	- 19
Capital flows in long-term forms, n.i.e.	7	11	3	8	2	5	10	- 14
Capital flows in short-term forms	37	- 1	4	10	23	25	29	33
Total capital inflow	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1] Increase in holdings by non-residents of Government of Canada, provincial and municipal bonds, less net repayments on intergovernmental loans and subscriptions to international investment agencies.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

With the stabilization of the exchange rate, the decline in official holdings of gold and United States dollars abated temporarily and holdings were reported to be $1,492.8 million at the end of May. In June, however, the situation deteriorated rapidly and on June 24 the Prime Minister announced that a comprehensive programme had become necessary to relieve the pressure on the Canadian dollar in the exchange field, to bring about a greater stability in Canada's international transactions and to strengthen the exchange reserves. The deficit in the current account remained a continuing problem. Canada had become accustomed to large capital inflows from abroad, and the immediate difficulties had been precipitated by the drying-up of the net capital inflow, and subsequently a net capital outflow. The excess of imports of goods and services over exports had been paid for out of reserves of gold and United States dollars.

The measures introduced by the Government included temporary graduated surcharges ranging between 5 and 15 per cent on approximately one-half of all imports.[1] There was also a temporary reduction in the amount of goods which Canadians travelling abroad were permitted to bring duty-free into Canada. These two measures were expected to lead to a significant improvement in the Canadian international account.

[1] These surcharges were rapidly withdrawn as Canada's position improved and were completely eliminated by April 1963.

The third course of action involved reductions in Government expenditures amounting to $250 million, which, when combined with the import surcharges, were expected to narrow the budgetary deficit by about $450 million in a full year. Further, the Minister of Finance would earmark for financing increases in the exchange reserves Canadian dollar cash balances equivalent to the sales of exchange from the reserves.

STATEMENT 11 G. International Monetary Fund: Canada's Position, 1947 - 63

Year and quarter	Certain Transactions			End of Period		
	Net drawings of foreign currencies by Canada	Net drawings (-) of Canadian dollars by other countries	Sales of Canadian dollars to IMF for gold	IMF holdings of Canadian dollars[1]	Canada's gross IMF position[2]	Canada's net IMF position[3]
	millions of United States dollars					
1947	—	—	—	225	375	75
1956	—	- 15	—	210	390	90
1959	—	—	—	397	703	153
1961 I	—	—	—	398	702	152
II	—	- 10	—	388	712	162
III	—	- 75	25	338	762	212
1962 I	—	10	—	348	752	202
II	300	40	—	688	412	- 138
1963 III	- 80	—	—	608	492	- 58

[1] Apart from the transactions shown, these holdings reflect mainly Canada's quota payments made in Canadian dollars. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, there have also been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate, which are not reflected because the series are shown in United States dollar equivalents.

[2] This "total tranche position" is a measure of Canada's drawing potential, i.e. the amount Canada could draw without raising the IMF's holdings of Canadian dollars beyond 200 per cent of quota.

[3] This is a cumulative measure of the net resources provided by Canada to the IMF.

The Prime Minister stated that at the time of the introduction of these measures Canada's official holdings of gold and United States dollars stood at $1,100 million. At the beginning of 1962 they had been $2,056 million. To reinforce these reserves Canada had arranged for international financial support of well over $1 billion. This massive assistance took the form of a drawing from the International Monetary Fund of various foreign currencies equivalent to $300 million in United States funds. This drawing was made in pounds sterling ($100 million), deutsche mark ($80 million), French francs ($80 million), Belgian francs ($20 million) and Netherlands guilders ($20 million). Reciprocal currency arrangements were entered into with the Federal Reserve System of the United States and with the Bank of England under which $250 million and $100 million respectively, in terms of United States funds, were made available to Canada. In all this aid amounted to a credit of $707 million in the second quarter. A short-term line of credit in the amount of $400 million authorized by the Export-Import Bank of Washington to assure maintenance of Canada's trade with the United States was not used. Apart from these special arrangements it has been disclosed by United States authorities that immediately following the introduction of the Canadian stabilization programme, but before its effects had made themselves felt in the exchange market, the Treasury made market purchases of Canadian dollars in small amounts; later, when the exchange rate had strengthened, the Treasury used these Canadian dollars to cover United States expenditures in Canada.

The Governor of the Bank of Canada has recorded publicly his appreciation for the assistance provided by the Federal Reserve System and the Bank of England, and for intimations received in the latter part of June that certain central banks in Western Europe were ready, if this were desired, to place additional funds at the disposal of the Bank of Canada.[2] It is generally accepted that the speed and effectiveness of international financial co-operation in repelling the 1962 attack on the Canadian dollar had a useful chastening effect on speculative activity in exchange markets throughout the world.[3]

Simultaneously with the announcement by the Prime Minister, the Governor of the Bank of Canada announced that the Bank Rate had been fixed at 6%, emphasizing the determination of the central bank to discharge the duty placed on it by the preamble of the Bank of Canada Act "... to protect the external value of the national monetary unit." The Bank Rate was reduced first to 5½% on September 7 and later in the year to 5% and 4%. The monetary

[2] Bank of Canada, *Annual Report of the Governor to the Minister of Finance for the Year 1962*.

[3] *Federal Reserve Bulletin*, March 1963.

policy followed in response to the exchange emergency had as its immediate objective the restoration of confidence in the country's ability and determination to maintain the exchange rate. Further analysis will be found in the Annual Report of the Governor of the Bank of Canada for 1962.

The detail and extent of forward operations entered into on behalf of the Exchange Fund Account during the period of crisis was subsequently revealed in the House of Commons. On June 22 there were net forward sale commitments of $239 million in United States funds; on the same date official holdings of gold and United States dollars amounted to $1,215 million in United States funds.

From their low point in June 1962, as confidence was restored, official holdings of gold and United States dollars rose rapidly to $1,159 million at the end of the month, to $1,795 million at the end of the third quarter and $2,239 million at the end of the year, expressed in United States funds and after deduction of the special international financial assistance extended to Canada.

The drawings of $350 million under the reciprocal currency arrangements with the Federal Reserve System in the United States and with the Bank of England were fully repaid in the fourth quarter of the year. The unused line of credit from the Eximbank was reduced in the third quarter and finally cancelled in the last quarter of the year. The cancellation of $250 million of this line in the third quarter coincided with the sale in September by the Government of Canada to institutions in the United States of an issue of $250 million of United States dollar 5% 25 year bonds. One-half of this issue was delivered in the fourth quarter and one-half in the first quarter of 1963.

A more detailed look at the crisis quarter and the quarter immediately following it is given in Statement 11H. During the second quarter of 1962 Canada found it necessary to use some $634 million of official holdings of gold and foreign exchange and special international financial assistance. In the third quarter Canada was able to add $686 million to these holdings. These unprecedented changes represented a swing of $1,320 million from the second to the third quarters. The summary shows the principal groups of transactions contributing to the swing.

Four features stand out. First, the substantial improvement in the current account deficit, which is seasonally characteristic.

STATEMENT 11H. Summary of the Canadian Balance of International Payments Second and Third Quarters, 1962

	II Q	III Q	Change
	millions of dollars		
Balance on goods and services	− 362	− 34	+ 328
Capital movements in:			
Long-term forms	− 29	238	+ 267
Foreign currency holdings of residents (increase, −)	− 208	242	+ 450
Other short-term forms[1]	− 35	240	+ 275
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	− 634	686	+ 1,320

[1] Excluding items in final line.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

Second, the re-emergence of a significant capital inflow in long-term forms, reflecting a variety of investment and borrowing transactions, and including some takeover money and a loan prepayment to Canada by France. A great many factors undoubtedly influenced this group of transactions. Among them the new exchange level for the Canadian dollar would enhance the attraction of investment in Canada, interest differentials were attractive, the reserve position of France enabled her to make prepayments to the United States and Canada, and confidence in Canada's foreign exchange positions was restored by the measures taken in the second quarter and by subsequent developments.

The effects of the crisis of confidence in the second quarter were also evident in the third feature, the movement from Canadian to foreign currency in the second quarter, and the reverse movement in the third quarter, of several hundred millions of dollars of Canadian bank balances and other short-term funds, amounting in all to a swing of more than half a billion dollars.

And fourth, there was a smaller but nonetheless significant change in capital movements in other short-term forms, of which the largest part represented borrowing in foreign currency by residents of Canada in the third quarter.

It is not possible to separate quantitatively the effects of changing interest rate differentials, exchange rate expectations, and other developments and factors. Inferences from capital movements about the influences of exchange rate changes, actual or anticipated, are at times misleading because the existence of swap and other forward market facilities makes possible the creation or transfer of exchange positions between various sectors of the economy without reflection on the statements.

Nevertheless, it seems clear from analyses of the data available that a major part of the movements both from Canada in the second quarter and to it in

the third represented the movement of Canadian capital. The growth of Canadian private holdings of foreign currency bank balances and similar short-term funds abroad represented an outflow in the second quarter of $208 million and Canadian direct and portfolio investment abroad added a further $65 million to outflows. These items alone were as large as the net outflow of all types of capital. But there are some types of movement whose motivation cannot be clearly established and the movement of Canadian funds abroad may have included some amounts representing shifts in the working capital of foreign controlled concerns in Canada.

There is little evidence that the taking of short-term Canadian dollar positions by non-residents contributed in any significant measure to the growth of Canada's official holdings of gold and foreign exchange in the third quarter. This was in sharp contrast to the situation twelve years earlier when an increase of $690 million official holdings of gold and foreign exchange (including float) was occasioned largely by a run to the Canadian dollar by non-residents.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign controlled enterprises during 1962 amounted to $555 million, some $35 million higher than in 1961. This substantial total was exceeded in only two earlier postwar years, 1956 and 1960.

Well over a quarter of the movement in 1962 represented net inflows for the acquisition of existing concerns and interests and for refinancing, etc., having no counterpart in current new capital formation in Canada. This was an unusually large proportion, such inflows being more than four times their size in 1961. The largest part of them was related to the takeover of a number of petroleum enterprises and a retail chain, but there were also significant amounts to acquire major interests in manufacturing concerns and commercial real estate. Not all the takeovers were by non-residents, and the figures reflect some offsetting capital outflows whereby control of various enterprises was repatriated to Canada, as well as refinancing of foreign controlled concerns through issues of securities. Apart from the direct effects of capital movements, control of a number of other concerns passed into non-resident hands through exchanges of stocks. Also in some cases the existence of debt or other securities gave leverage to the capital flow, resulting in a larger increase in the amount of investment controlled by non-residents than the actual increase in their ownership.

The net movement was heavily concentrated in the latter part of the year with successive quarterly totals of $114 million, $87 million, $147 million and $207 million. There was accordingly an increase of $153 million in the second half of the year compared with the first; in 1961 there had been a decrease of $62 million. About two-thirds of the decrease between the first and second halves of 1961 and all of the corresponding increase in 1962 were caused by takeovers and refinancing operations.

Industrially the petroleum industry continued in first place in attracting direct investment inflows, although mining would have replaced it due to continuing high inflows for iron ore development, had it not been for a number of takeover transactions. Merchandising appears to have followed with an important takeover contributing to its prominence, then manufacturing where the movement as usual tended to be less one-sided, with substantial repayments to parents offsetting a significant part of other inflows.

Geographically, direct investment inflows from overseas countries other than the United Kingdom increased sharply in 1962. At about double their 1961 size they accounted for some 20 per cent in 1962 compared with just over 10 per cent in the earlier year. Movements from the United States increased moderately over the same period to maintain that country's share of direct investment inflows at just over three-fifths of the total while those from the United Kingdom decreased appreciably dropping its contribution from about one-quarter in 1961 to 15 per cent of the net inflow in 1962.

The industrial distribution of movements of capital for United States direct investment in Canada from the end of World War II to 1961 is given in Statement 12. Data in this form are not yet available for 1962. The statement shows that about 60 per cent of the net inflow of United States capital for direct investment in Canada in 1961 was directed to the petroleum and natural gas industry and mining, compared with about 75 per cent in 1960. The net amounts of inflow to these extractive industries were $198 million in 1961 and $341 in 1960, with two-thirds of the decrease attributable to reductions in mining investment. When other capital movements affecting direct investment are taken into account, however, the net capital inflow to this sector from the United States increased slightly from $356 million in 1960 to $366 million in 1961. Net inflows of $130 million to all other industrial groups were up $25 million from $105 million in 1960. Increases occurred in the manufacturing, merchandising and miscellaneous industry groups while decreases were recorded for the utilities and financial groups.

The other capital movements adding to the value of United States investment in all United States controlled concerns in Canada totalled $251 million in 1961, over triple the 1960 inflow of $78 million. Most of this investment went into the petroleum and natural gas industry, mining and financial enterprises. Taken together with the inflows recorded for direct investment, the net capital movement adding to the total value of United States direct investment in Canada amounted to $579 million in 1961, 10 per cent above the 1960 total of $524 million. All other factors, including undistributed earnings, revaluations, reclassifications and similar accounting adjustments are estimated to have added a further $156 million in 1961. The recorded net increase in the book value of United States direct investment in Canada in 1961 was $735 million, almost $100 million more than the 1960 increase.

The sixteen years of the postwar period from 1946 to 1961 have seen gross inflows from the United States for direct investment aggregating

$5,658 million; 60 per cent of it to the petroleum, natural gas and mining industries. During the same period some $1,391 million of United States direct investment in Canada was repatriated, but this was almost offset by inflows of $1,359 million in other forms which added to the value of United States owned and controlled investment, making a total movement of United States capital of $5,626 million. Undistributed earnings, reclassifications, etc. led to a further rise of $3,354 million in the period, bringing the total book value of United States direct investment in Canada from $2,304 million at the end of 1945 to $11,284 million at the end of 1961.

Finance and real estate investments accounted for about two-fifths of the net direct investment inflow from the United Kingdom in 1961 with take-overs of insurance interests in the second quarter of the year being particularly prominent, while the share of the inflow going to the petroleum and natural gas industry declined to approximately 30 per cent from about 50 per cent in 1960. Almost three-fifths of the net direct investment inflows from other overseas countries in 1961 was to the petroleum and natural gas industry with most of the remainder being split not too unevenly between mining, manufacturing and financial and real estate investments.

It may be noted that estimates of the Canadian balance of payments do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a factor contributing to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investment in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Some of the factors affecting the distribution or retention of earnings have been discussed earlier in comment on the income account. Statements 12 and 12A show substantial outflows in the direct investment account representing the return of capital to its foreign owners, amounting to some $220 million in 1961. A part of these outflows reflects the withdrawal of foreign investors from some enterprises, but by far the largest part seems to cover capital repayments arising from cash flows generated in the enterprise in Canada, and may often be substantially offset by the retention in Canada of undistributed earnings accruing beneficially to non-residents. Such outflows may in a sense be regarded as really transfers of income although they take a capital form.

STATEMENT 12. United States Direct Investment in Canada, 1946-61

Account	1953	1954	1955	1956	1957	1958	1959	1960	1961	1946-1961[1]
	millions of dollars									
Gross inflows of new capital:										
Petroleum and natural gas industry[2]	172	187	195	243	260	217	196	170	152	2,322
Mining, n.i.e.	104	66	60	63	78	79	138	205	141	1,116
Pulp and paper	1	23	35	42	48	16	18	26	12	316
Manufacturing, n.i.e.	52	41	77	108	111	91	153	132	133	
Utilities, n.i.e.	6	2	9	2	3	3	4	14	6	
Merchandising, n.i.e.	31	9	21	16	27	11	33	18	27	1,904
Financial	13	15	17	16	21	5	31	34	37	
Miscellaneous	4	7	9	16	17	14	15	22	40	
Sub-totals	**383**	**350**	**423**	**506**	**565**	**436**	**588**	**621**	**548**	**5,658**
Return of capital	37	62	117	100	175	133	164	175	220	1,391
Net capital inflow for direct investment (Table IIB item D1)	**346**	**288**	**306**	**406**	**390**	**303**	**424**	**446**	**328**	**4,267**
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises[3]	– 3	36	63	269	240	170	110	78	251	1,359
Net capital inflow	**343**	**324**	**369**	**675**	**630**	**473**	**534**	**524**	**579**	**5,626**
Undistributed earnings and other factors including revaluations, reclassifications, and similar accounting adjustments	333	257	357[4]	204[4]	450	100	333	113[4]	156	3,354
Net increase in book value – Table X (B)	**676**	**581**	**726**	**879**	**1,080**	**573**	**867**	**637**	**735**	**8,980**

[1] For annual detail 1946-51 and 1952 see Statement 12 in issues for 1956 and 1960 respectively of *The Canadian Balance of International Payments and International Investment Position* (DBS Catalogue No. 67-201).

[2] Exploration, development, refining, transportation, distribution and marketing.

[3] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.

[4] This figure is affected by unusually large reclassifications between United States direct and other investments.

Note: In addition to investment in new construction and new machinery and equipment included in business gross fixed capital formation as published in the *National Accounts*, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12 A. United States Direct Investment in Canada, Details for 1960 and 1961

Industry	1960					1961				
	Direct investment transactions			Other capital movements[1]	Net capital inflow	Direct investment transactions			Other capital movements[1]	Net capital inflow
	Inflows	Outflows (–)	Net inflow			Inflows	Outflows (–)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry[2]	170	– 21	149	– 10	139	152	– 50	102	86	188
Mining, n.i.e.	205	– 13	192	25	217	141	– 45	96	82	178
Pulp and paper	26	– 13	13	19	32	12	– 3	9	1	10
Manufacturing, n.i.e.	132	– 84	48	– 9	39	133	– 59	74	7	81
Utilities, n.i.e.	14	– 2	12	– 15	– 3	6	– 8	– 2	13	11
Merchandising, n.i.e.	18	– 24	– 6	7	1	27	– 19	8	11	19
Financial	34	– 6	28	63	91	37	– 23	14	62	76
Miscellaneous	22	– 12	10	– 2	8	40	– 13	27	– 11	16
Totals	**621**	**–175**	**446**	**78**	**524**	**548**	**–220**	**328**	**251**	**579**

[1] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.
[2] Exploration, development, refining, transportation, distribution and marketing.

Estimates of the total undistributed earnings on foreign direct investments appear in Statements 12B and 12C. Earnings retained during 1961 are estimated to have amounted to about $240 million. The accumulation of undistributed earnings has added $4,310 million to Canada's external indebtedness in the sixteen years from 1946 to 1961. Retained earnings on foreign portfolio investment in Canada add further large amounts. The estimates show that undistributed earnings of foreign direct investment in Canada have been smaller in the more recent years than in the fifties. The trend was typical of the undistributed earnings of all Canadian corporations, although the share of foreign direct investment has been declining. Many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

STATEMENT 12 B. Estimated Constituents in the Change in the Value of Foreign Direct Investment in Canada, 1946-61

Year	Net capital inflow for direct investment (Table II)	Undistributed earnings	Other factors[1]	Net increase in book value (Table X)
	millions of dollars			
1956	583	470	87	1,140
1957	514	460	287	1,261
1958	420	260	71	751
1959	550	370	106	1,026
1960	650	280	36	966
1961	520	240	105	865
Totals, 1946-61	**5,615**	**4,310**	**1,099**	**11,024**

[1] New issues, retirements, borrowing, investment abroad, etc. affecting the total value of foreign direct investment in Canada, and other factors including revaluations, reclassifications, and similar accounting adjustments.

Note: For detail 1946-55, see Statement 12B *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

STATEMENT 12C. Estimated Undistributed Earnings on Foreign Direct Investment in Canada classified by Industry and Country, 1960 and 1961

Industrial classification	1960	1961
	millions of dollars	
Manufacturing:		
Vegetable products	24	22
Animal products	- 1	6
Textiles	2	3
Wood and paper products	9	29
Iron and its products	95	14
Non-ferrous metals	15	24
Non-metallic minerals	5	8
Chemicals and allied products	21	32
Miscellaneous manufacturers	7	1
Sub-totals (excluding petroleum refining)	**177**	**139**
Petroleum and natural gas	2	51
Other mining and smelting	41	13
Public utilities	1	- 2
Merchandising	42	10
Financial	13	19
Other enterprises	4	10
Totals	**280**	**240**
Country classification		
United States direct investment in Canada	265	234
Other foreign direct investment in Canada	15	6
Totals	**280**	**240**

Note: Remittances of earnings on foreign direct investment were unusually low in 1960. See Statement 9C.

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled a record $125 million in 1962, $50 million more than in 1961 and substantially above the previous high of $104 million recorded in 1956. The total reflects a multiplicity of transactions having little in common with respect to origin or destination. About three-quarters of net direct investment abroad went to manufacturing enterprises with mining and miscellaneous industries, including international communications, getting a large share of the rest.

Over four-fifths of the net outflow was to overseas countries, other than the United Kingdom, in particular sterling area and continental European countries. This reflects a sharp relative and absolute increase in investment in 1962 as this area in 1961 received less than half of the total net direct investment abroad. Also of significance is the small net inflow of $6 million resulting from the liquidation of Canadian assets in the United States. This inflow resulted entirely from the withdrawal of funds by a Canadian parent from its United States subsidiary. Without this transaction there would have been an outflow for net direct investment in the United States of about two-thirds of the 1961 total. In rising to $25 million in 1962 from $16 million in the previous year, outflows to the United Kingdom accounted in each year for about one-fifth of total Canadian direct investment abroad.

Summary of Transactions in Portfolio Securities

Direct investment continued in 1961 and 1962 to be Canada's largest source of foreign capital, however transactions in portfolio securities were responsible for sizable capital inflows amounting in the two years to $304 million and $275 million respectively. In both these years the totals were equal to almost a third of the current account deficit which in 1962 reached its lowest level since 1955.

Statements 13 and 14 give details of the transactions in Canadian and foreign issues respectively. The proceeds of new issues of Canadian securities sold to non-residents amounted to $718 million but there were offsetting retirements of $321 million of foreign held Canadian securities. Trade in outstanding Canadian securities resulted in a repurchase balance of $52 million bringing the net movement from transactions in Canadian securities to $345 million. In the opposite direction there was a net capital export of $70 million from all transactions by Canadians in foreign securities.

The overall inflow of portfolio security capital in 1962 came on balance entirely from the United States with small inflows from the other sterling area and "other countries" being overshadowed by outflows to the United Kingdom and other OECD countries. In 1961 net capital outflows were recorded to all areas except the United States.

The net capital inflow from security transactions with the United States totalled $445 million in 1962, almost unchanged from $449 million in 1961. The movement in 1962 included net sales of $507 million of Canadian securities, comprising $83 million of outstanding bonds and debentures and $679 million of new issues, offset by retirements of $244 million and net repurchases of $11 million of outstanding stocks. The inflow from transactions in outstanding bonds and debentures, which followed a similar sales balance in 1961, was in contrast to the pattern of net repurchases which were typical of the period 1950 to 1960. The net repurchase balance of $11 million for outstanding Canadian stocks was the first recorded since before 1950, and was concentrated in the second half of 1962 when outflows totalled $23 million, more than offsetting the $12 million sales balance of the first six months of the year. Transactions with the United States in foreign securities led to a capital outflow of $62 million, much larger than the $7 million net outflow recorded for 1961. This was entirely the result of a net purchase balance of $66 million for outstanding issues.

Security transactions with the United Kingdom in 1962 led to a capital outflow of $91 million. This was the third successive annual outflow following a period of net capital inflow from 1952 to 1959. It took the form of net repurchases by Canadians of $65 million of outstanding Canadian stocks as well as the retirement of $42 million of various Canadian issues and net purchases of $2 million of foreign securities offset by sales to residents of the United Kingdom of $18 million of new issues of Canadian bonds and stocks (principally provincial and Government of Canada bonds).

For the second year in succession a net capital outflow was recorded in 1962 to other overseas countries, aggregating $79 million in that year and $43 million in 1961. These outflows were the first recorded after an eight-year period of net capital inflows. Contributing to the 1962 total were net repurchases of $40 million of outstanding Canadian bonds and debentures, $19 million of outstanding Canadian stocks, $35 million for the retirement of foreign held Canadian issues and $6 million for the acquisition of foreign issues. Against these outflows there was an inflow of $21 million from the sale of new Canadian issues.

A high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1962 the total value of transactions leading to the net inflow of $275 million was a record $4.6 billion, more than $440 million above the previous high established in 1961.

Foreign savings invested in provincial securities were equal to 19 per cent of the net new supply in 1962 compared with 1 per cent in 1961 and 8 per cent in 1960, the sharp increase in 1962 being particularly striking since net new borrowing by provinces fell more than 25 per cent. Foreign investment in municipals equalled about a quarter of net new issues in 1962 compared with only 6 per cent of the supply in 1961. In the case of corporate and institutional bonds and debentures, on the other hand, net purchases by non-residents fell to 42 per cent of the net new supply in 1962 compared with about 53 per cent in the previous year. However when transactions in stocks are combined with those in corporate and institutional bonds and debentures, net purchases of the net new supply by

non-residents fell to 6 per cent in 1962 from 37 per cent in 1961 mainly because of the large repurchase balance for Canadian stocks which contrasted sharply with the sales balances of previous years. Although the proportion of the net new supply of corporate and institutional bonds and debentures absorbed by non-residents dropped between 1961 and 1962, the level was still very high compared even with the boom years of the fifties. However if some unusual refinancing transactions were excluded the proportion would be reduced to approximately 20 per cent.

About the figures –

TRANSACTIONS IN PORTFOLIO SECURITIES

Additional comment and statistical detail of movements of portfolio capital, including quarterly figures classified by debtor, will be found in the DBS monthly reports, *Sales and Purchases of Securities Between Canada and Other Countries*, (Catalogue No. 67-002), particularly the December issues which contain an annual review. Due to revisions the figures appearing in this report will differ in some cases from those published in the earlier monthly reports.

The Bureau's monthly series of *Sales and Purchases of Securities Between Canada and Other Countries* has been collected and compiled since 1933 with the co-operation of banks, investment dealers, stock brokers, and other financial institutions and investors in Canada. Monthly data covering trade in outstanding issues are supplemented at quarterly intervals with figures covering new issues and retirements between Canada and other countries, and also annually with some additional transactions in outstanding securities. Final figures correspond with items D. 3 to D. 8 in the capital account of the Canadian balance of international payments.

The basic source of the monthly data is Schedule ISM, which is reproduced herewith. The instructions which are appended indicate the conceptual basis of the series.

In addition to reports from the institutions named in the instructions, figures are obtained under special arrangements, at monthly or in some cases less frequent intervals, from financial intermediaries or investors who engage directly in transactions with dealers or brokers abroad, e.g., trust companies, certain investment funds, and some non-financial corporations.

Besides providing data covering trade in outstanding issues, reflected in items D. 3 and D. 6, Schedule ISM provides figures for foreign participation in new issues on Canadian markets and some Canadian participation in new issues of non-Canadian securities. These figures are not published separately but are incorporated with data from many other sources (e.g. official announcements and prospectuses, market information, balance of payments returns of Canadian borrowers and other enterprises, and analyses of transactions in Canadian securities by some major foreign life insurance companies) to produce the comprehensive estimates of new issues and retirements published quarterly and reflected in items D. 4, 5, 7, and 8.

Some transactions in short-term securities and other investment forms are also reported on Schedule ISM but are not included with security transactions covered in the monthly reports, or in items D. 3 to D. 8, as they are shown elsewhere in statements of the Canadian balance of international payments. These include transactions related to non-resident participation in Canadian short-term money markets, which are discussed in a later note, as well as any transactions in mortgages or export finance paper.

Other types of security transactions which represent direct movements by the principal owners of an enterprise are excluded from this series, being more appropriately regarded as direct investment. Examples are subscriptions by parent companies for new stock offered to shareholders by companies with some public ownership, transactions arising from the acceptance of takeover bids, and exchanges of stock under corporate reorganizations and mergers.

Although a very large volume of transactions is covered in the series—including new issues and retirements, but apart from short-term money market transactions, the gross turnover in recent years has been well over $4,000 million—it is, of course, always possible that the series is not complete. The most likely area of incomplete coverage lies in the primary distribution of some mining stock. Transactions of most established distributors are covered and their reports are supplemented by estimates based on balance of payments questionnaires received from many of the mining companies themselves. In any event it does not appear that the volume of net inflows from these transactions is as high as is sometimes thought. Other possibilities of incomplete coverage lie in the role of intermediaries in foreign investment whose function may not be clear to the reporting agencies. Special arrangements have been made to cover many of these, either through obtaining reports from them or by having reporting agencies themselves treat the intermediaries as non-residents. Nevertheless, some investments made through such intermediaries as legal firms may have been omitted.

It should also be noted that some types of security transactions by internationally situated enterprises are purposely kept out of the series when they do not reflect international transactions of relevance to the Canadian balance of payments. Examples of these are provided by most security transactions in Canada of Canadian branches of foreign insurance companies and other concerns, and by transactions abroad of foreign branches of Canadian financial institutions and concerns.

DOMINION BUREAU OF STATISTICS
Balance of Payments Section
OTTAWA, CANADA

Schedule ISM

SALES AND PURCHASES OF SECURITIES BETWEEN CANADA AND OTHER COUNTRIES

SALES	To all countries	To United States	To United Kingdom	To Other Countries
	(Canadian dollars – omit cents)			
Bonds, Debentures, Notes, etc. (original term over one year)				
Canadian issues:				
New issues (Indicate issue if amount over $50,000)				
Outstanding issues:				
Government of Canada – direct:				
Under buy-back agreements				
Other sales				
Government of Canada – guaranteed				
Provincial – direct and guaranteed				
Municipal				
Railway, not guaranteed by Government				
Other				
United States issues:				
Government				
Other				
United Kingdom issues:				
Government				
Other				
Other countries				
Common and Preference Stocks				
Canadian:				
New issues				
Outstanding issues				
United States				
United Kingdom				
Other countries				
Short Term Securities (original term one year or less)				
Government of Canada issues				
Canadian commercial paper				
Canadian finance paper				
Other Canadian				
All other countries				
Other Securities				
N.H.A. mortgages on Canadian real estate				
Other mortgages on Canadian real estate				
Other Canadian				
ECIC guaranteed export finance paper				
Other foreign				
TOTAL SALES				

2206–50.1: 30-7-63

Schedule ISM

PURCHASES	From all countries	From United States	From United Kingdom	From Other Countries
	(Canadian dollars – omit cents)			
Bonds, Debentures, Notes, etc. (original term over one year)				
Canadian issues:				
Government of Canada – direct:				
Under buy-back agreements				
Other purchases				
Government of Canada – guaranteed				
Provincial – direct and guaranteed				
Municipal				
Railway, not guaranteed by Government				
Other				
United States issues:				
New issues:			xxxxxx	xxxxxx
Government			xxxxxx	xxxxxx
Other				
Outstanding issues:				
Government				
Other				
United Kingdom issues:				
Government				
Other				
Other countries				
Common and Preference Stocks				
Canadian				
United States:			xxxxxx	xxxxxx
New issues				
Outstanding issues				
United Kingdom				
Other countries				
Short Term Securities (original term one year or less)				
Government of Canada issues				
Canadian commercial paper				
Canadian finance paper				
Other Canadian				
All other countries				
Other Securities				
N.H.A. mortgages on Canadian real estate				
Other mortgages on Canadian real estate				
Other Canadian				
ECIC guaranteed export finance paper				
Other foreign				
TOTAL PURCHASES				

Report of Month

Signature of responsible officer

Schedule ISM

INSTRUCTIONS

1. **Object of the Return** – This return is intended to cover international transactions in securities. The guiding principle is a change in ownership from one nation to another. International transactions ordinarily involve a movement of funds from one country to another, but include also exchanges of securities involving purchases and sales between residents and non-residents.

2. **Responsibility for Reporting** – The institution or firm in Canada which actually executes or arranges the security transaction outside Canada is to report the transaction. If, for example, a bank sells a security through a Canadian firm for a client in London, and the firm in turn sells the security in New York, the bank is to report a purchase from the United Kingdom and the firm is to report a sale to the United States, even though each may be aware of the complete transaction.

If firm "A" purchases a security through firm "B", which is a Canadian branch of a United States firm, firm "A" is to make no report because, insofar as it is directly concerned, the security is purchased through a firm in Canada; if the security is purchased in the United States by firm "B", the latter will report the transaction.

Similar reports in respect of Canadian offices or branches are made by members of the Investment Dealers' Association of Canada, the Canadian Bankers' Association, Canadian stock exchanges, and foreign investment houses operating in Canada; care must therefore be taken to avoid duplication.

Firms which are members of more than one of the groups listed above must select their channels of reporting so that double counting will not occur.

3. **Nationality** – All transactions between a principal domiciled or located in Canada and a principal domiciled or located in another country are to be covered, regardless of the nationality of the vendor or the purchaser. For example, a sale by a vendor located in Canada to a foreign branch of a Canadian firm is to be reported, whereas if the purchaser were a Canadian branch of a foreign firm the transaction should not be recorded.

Insurance Companies – The business in Canada of foreign insurance companies is regarded as that of a Canadian "branch". Accordingly transactions in connection with securities deposited in Canada under Insurance Acts or otherwise held in respect of liabilities to Canadian policy-holders are regarded as transactions with Canadians and are not to be reported. Similarly, the business abroad of Canadian insurance companies is regarded as that of a non-resident branch and transactions between Canada and such branches are to be reported.

Non-Resident Owned Investment Companies and Investment Trusts – The country of residence of holding companies is established by the residence of their beneficial owners where known.

4. **Transactions** – All securities are classified by the nationality of the issuer. The currency in which a security may be expressed has no significance for the purpose of this return. Securities of Canadian companies whose principal operations are outside Canada should however be classified as "foreign".

Location – Location of a bond, debenture, or share certificate is not relevant; for example, a purchase by a non-resident from a Canadian is to be reported regardless of whether the security is to be lodged in Canada or delivered abroad. Similarly a sale to a non-resident for delivery, against payment, to a bank in Canada should be reported by the dealer, as a change of ownership between Canada and a foreign country has occurred. (For special treatment of insurance company transactions see section 2 above).

New Issues – Include new, refunding, and conversion issues. For practical purposes the dividing line between new and outstanding issues may be taken as immediately after wholesale distribution by the originating group or purchasing syndicate. An issue is classed as outstanding, therefore, after it has been distributed at wholesale to a selling group. (Rights and warrants are to be treated as outstanding securities).

Redemptions – Repurchases for governments or corporations in a market outside Canada of their own bonds, debentures, or stock are to be reported, but maturing bonds or debentures, and issues called for complete or partial redemption are to be excluded.

Buy Backs – **Sales and purchases reflecting buy-back transactions are to be reported. Separate lines are provided for Government of Canada Direct issues with original terms over one year. Other issues should be included in the appropriate categories but need not be specifically segregated.**

Bankers' Acceptances – Bankers' acceptances should be included with "Other Canadian" short term securities.

Timing – Delivery dates are a more appropriate basis for the compilation of this return than are contract dates. Where practical reasons necessitate the general use of contract dates it is essential that arrangements be made to adjust the returns to a delivery basis in respect of buy-back and other important deferred delivery transactions.

5. **Amounts to be Reported** – All values should be expressed in terms of Canadian currency. Please omit cents.

Transactions executed outside Canada – Report as sales the amount credited on transactions for a Canadian client or for your own account (proceeds of sales less commissions and taxes outside Canada). Report as purchases the amount debited for these accounts (cost of purchases plus commissions and taxes).

Transactions executed in Canada – Report as sales the amount debited on transactions for a non-resident purchaser (cost of securities plus commissions and taxes in Canada). Report as purchases the amount credited on transactions for a non-resident seller (proceeds of sales less commissions and taxes in Canada).

Margin Accounts – Transactions in margin accounts should be treated in exactly the same manner as other transactions.

REMARKS: Any comments or qualifications which you feel might be usefully added to this material would be appreciated.

Transactions in Outstanding Canadian Securities

As shown in Statement 13, trade in outstanding Canadian securities in 1962 led to a net capital outflow for the first time since 1955 as net repurchases from non-residents of $116 million of common and preference stocks exceeded net sales of $64 million of outstanding bonds by $52 million. This situation is very different from the pattern of the period from 1950 to 1961 when substantial capital inflows from the net sale of outstanding stocks occurred in most years, reaching a peak of $188 million in 1956 and gradually declining to $39 million in 1961. During this period the net capital movements generated by trading in outstanding Canadian bonds and debentures oscillated frequently between net outflows and inflows, reaching relatively high levels of net inflows in 1961 and 1962 of $61 and $64 million respectively.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1960-62

Account	Trade in outstanding issues			Proceeds of new issues			Retirements			Total		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
	millions of dollars											
By type of security												
Bonds and debentures:												
Government of Canada, direct	+ 34	+ 52	+ 54	+ 19	+ 37	+ 156	− 57	− 46	− 72	− 4	+ 43	+ 138
Government of Canada, guaranteed	+ 14	+ 23	− 4	+ 11	—	—	—	− 2	− 15	+ 25	+ 21	− 19
Provincial government (incl. guaranteed)	− 7	− 10	+ 9	+ 103	+ 66	+ 142	− 57	− 24	− 22	+ 39	+ 32	+ 129
Municipal government	+ 4	+ 3	+ 11	+ 133	+ 47	+ 78	− 38	− 38	− 39	+ 99	+ 12	+ 50
Railways, not guaranteed by government	− 4	− 3	− 3	—	—	—	− 15	− 2	− 12	− 19	− 5	− 15
Other corporations	− 38	− 4	− 3	+ 155	+ 343	+ 326	− 89	− 133	− 126	+ 28	+ 206	+ 197
Sub-totals: bonds and debentures	**+ 3**	**+ 61**	**+ 64**	**+ 421**	**+ 493**	**+ 702**	**− 256**	**− 245**	**− 286**	**+ 168**	**+ 309**	**+ 480**
Common and preference stocks	+ 51	+ 39	− 116	+ 26	+ 45	+ 16	− 9	− 55	− 35	+ 68	+ 29	− 135
Totals (Table II, items D 3, 4, 5)	**+ 54**	**+ 100**	**− 52**	**+ 447**	**+ 538**	**+ 718**	**− 265**	**− 300**	**− 321**	**+ 236**	**+ 338**	**+ 345**
By country												
United States	+ 47	+ 196	+ 72	+ 381	+ 479	+ 679	− 214	− 219	− 244	+ 214	+ 456	+ 507
United Kingdom	− 30	− 73	− 65	+ 27	+ 24	+ 18	− 27	− 41	− 42	− 30	− 90	− 89
Other sterling area	—	− 3	—	—	—	—	—	—	—	—	− 3	—
Other OECD countries	+ 37	− 20	− 59	+ 38	+ 20	+ 21	− 23	− 20	− 35	+ 52	− 20	− 73
Other countries	—	—	—	+ 1	+ 15	—	− 1	− 20	—	—	− 5	—
Totals (Table II, items D 3, 4, 5)	**+ 54**	**+ 100**	**− 52**	**+ 447**	**+ 538**	**+ 718**	**− 265**	**− 300**	**− 321**	**+ 236**	**+ 338**	**+ 345**
By quarter												
First quarter	+ 32	+ 42	− 17	+ 212	+ 105	+ 53	− 58	− 73	− 72	+ 186	+ 74	− 36
Second quarter	+ 40	+ 65	− 40	+ 143	+ 192	+ 194	− 80	− 89	− 71	+ 103	+ 168	+ 83
Third quarter	− 9	− 11	+ 13	+ 52	+ 123	+ 85	− 34	− 32	− 53	+ 9	+ 80	+ 45
Fourth quarter	− 9	+ 4	− 8	+ 40	+ 118	+ 386	− 93	− 106	− 125	− 62	+ 16	+ 253
Totals (Table II, items D 3, 4, 5)	**+ 54**	**+ 100**	**− 52**	**+ 447**	**+ 538**	**+ 718**	**− 265**	**− 300**	**− 321**	**+ 236**	**+ 338**	**+ 345**

Note: A minus sign indicates an outflow of capital from Canada.

It is interesting to note the geographical pattern of the change in the net capital flows. Up to 1960 capital inflows resulted regularly with all major areas from trade in outstanding Canadian common and preference stocks. In that year however a net outflow was recorded to the United Kingdom, which was strengthened in the following two years. Although lagging a year a similar trend became evident in transactions with other overseas countries, particularly those of continental Europe, when a capital outflow was recorded in 1961 which was doubled in 1962. In 1962 a small repurchase balance resulted from trade in outstanding stocks with the United States. A similar bilateral pattern is evident in the trading of outstanding Canadian bonds and debentures, with outflows being recorded for the United Kingdom in the period 1960 to 1962 and for other overseas countries in the latter two years. In transactions with the United States however a net sales balance occurred in each of the last three years. An unusual feature of the trade in outstanding Canadian stocks between Canada and the United States is that the income accumulating funds (details of which are provided below) started to liquidate their holdings of Canadian securities in 1959 and the resulting net capital outflow was up to 1962 offset by inflows from other United States residents. In 1962, however, the inflow from the latter source was insufficient to offset the repurchase balance on the activities of the income accumulating funds.

Many factors could have influenced foreign investors in their trading of Canadian securities. Among these would be apparently better investment opportunities elsewhere after the slackening of the Canadian boom of the mid-fifties; the controversy over the takeover of public utilities by provincial authorities, the generally unsettled political climate; the narrowing of interest rate differentials between Canada and the United States and some of the European capital-exporting countries, and the decreasing foreign exchange value of the Canadian dollar.

Taken as a whole, trade in outstanding Canadian securities produced net outflows in all quarters of 1962 except the third when a small inflow occurred following the successful defence of the new exchange value of the Canadian dollar. In 1961 there were significant sales balances in the first two quarters followed by a minor net capital outflow and inflow in the third and fourth quarters respectively. The net sales balances for outstanding common and preference stocks which had persisted for many years ceased in the third quarter of 1961 when total repurchases balanced total sales. Net outflows were recorded for the fourth quarter of 1961 and all four quarters of 1962.

In 1954 and the years following ten special income accumulating funds were organized in Canada with important advantages to United States investors under the tax structure in that country. Their essential characteristic was portfolio investment, and notwithstanding their legal status as Canadian corporations, they have been treated as representing United States portfolio investors. Their transactions in Canadian securities are included in statistics of international security trading.

Since 1959 redemptions by these funds of their own shares have exceeded sales. This trend has been encouraged by changes in United States tax policy in 1962 which eliminated most of the special tax advantages. The liquidation amounted to over $50 million in 1962 following a larger amount in 1961. Because all the funds up to the end of 1962 retained their net income and because they also invested in other countries, their impact on Canada's balance of payments cannot be measured by the redemption of their shares. The market value of their holdings of Canadian securities fell during 1962 by about $95 million to approximately $180 million at at the end of the year.

At the end of 1962 the total investment in the funds was some $255 million including about $40 million remaining from realized and unrealized capital appreciation. Almost $50 million of the total was invested in foreign securities, mainly European, and a further $25 million took the form of cash balances and other current assets. The investment in Canadian securities, practically all equities, had a market value of $180 million. Most of this total is estimated to have been owned by United States investors.

Common stock prices in Canada, as measured by the DBS Investors Index decreased about 11 per cent during 1962 compared with a decline in United States common stock prices of 13 per cent as measured by Standard and Poor's "500" Index. In contrast sharp rises of about 27 per cent were experienced in each country in 1961.

The roughly parallel movement in stock prices in the two countries mirrors the similarity of market influences as well as the interlisting of issues. Gross sales to non-residents in 1962 of over $690 million of outstanding Canadian stocks were about $40 million lower than in 1961 and amounted to slightly less than one-fifth of the value of shares traded on the principal exchanges in Canada. This proportion was somewhat smaller than in either 1960 or 1961.

New Issues and Retirements of Canadian Securities

Canada's receipts of $718 million from the sale of new issues of Canadian securities to non-residents in 1962 was the second highest since the war, being exceeded only in 1957. Details of the new issues classified by issuer and by currency of payment are found in Statements 13 and 13A. They show that the proceeds of new issues sold to non-residents were heavily concentrated in the second half of the year, particularly in the fourth quarter. The 1962 data included $125 million of new borrowing to refinance other types of external indebtedness as well as $135 million of Government borrowing outside Canada, the first since 1950, which acted as a lead to other sections of the long-term capital market. The very sharp declines in borrowing abroad by provincial

and municipal authorities in 1960 and 1961 from the high level of 1959 were reversed in 1962 with significant increases being recorded for these borrowers. The sales to non-residents of new issues of corporate securities reached $388 million in 1961, second largest total after the record $523 million of 1957, before dropping moderately to $342 million in 1962.

Residents of the United States bought about 95 per cent of the new issues sold to non-residents during 1962 compared with 90 per cent of the smaller 1961 amount. The proportion of new issues of Canadian bonds and debentures sold to non-residents which provided for payment either optionally or solely in foreign currency was just over 80 per cent in 1962 and about 75 per cent in 1961.

STATEMENT 13 A. Proceeds of New Issues of Canadian Securities Sold to Non-Residents, 1952 - 62

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
Bonds and debentures payable optionally or solely in foreign currencies:											
Government of Canada, direct	—	—	—	—	—	—	—	—	—	—	135
Government of Canada, guaranteed	—	—	—	—	—	—	—	—	—	—	—
Provincial government (incl. guaranteed)	101	136	114	—	212	130	162	321	93	32	111
Municipal government	43	66	34	40	106	115	143	148	118	29	64
Railways, not guaranteed by government	—	—	24	—	—	—	—	—	—	—	—
Other corporations	116	39	72	5	190	393	189	54	87	308	277
Totals	**260**	**241**	**244**	**45**	**508**	**638**	**494**	**523**	**298**	**369**	**587**
Bonds and debentures payable in Canadian dollars only:											
Government of Canada, direct	1	6	5	5	9	16	67	42	19	37	21
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	11	—	—
Provincial government (incl. guaranteed)	6	7	12	3	12	6	6	13	10	34	31
Municipal government	3	9	11	4	6	8	5	10	15	18	14
Railways, not guaranteed by government	2	—	1	—	—	—	1	—	—	—	—
Other corporations	21	26	35	46	62	69	52	58	68	35	49
Totals	**33**	**48**	**68**	**58**	**89**	**99**	**140**	**137**	**123**	**124**	**115**
Bonds and debentures:											
Government of Canada, direct	1	6	5	5	9	16	67	42	19	37	156
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	11	—	—
Provincial government (incl. guaranteed)	107	143	126	3	224	136	168	334	103	66	142
Municipal government	46	75	45	44	112	123	148	158	133	47	78
Railways, not guaranteed by government	2	—	25	—	—	—	1	—	—	—	—
Other corporations	137	65	107	51	252	462	241	112	155	343	326
Sub-totals, bonds and debentures	**293**	**289**	**312**	**103**	**597**	**737**	**634**	**660**	**421**	**493**	**702**
Common and preference stocks	23	46	19	63	70	61	43	47	26	45	16
Totals	**316**	**335**	**331**	**166**	**667**	**798**	**677**	**707**	**447**	**538**	**718**

Statement 13 B sets out the contracts entered into covering sales to residents of the United States of new Canadian bonds and debentures, and delivery data appropriate for balance of payments purposes, over the seven-year period 1956 to 1962. Apart from differences in bond yields between Canada and the United States other additional factors in determining the source of capital probably would be the magnitude of financing involved and the possible saturation of the Canadian market, the relative standings in Canadian and foreign markets of various borrowers and their relationship to the markets, as well as the type of industry involved.

STATEMENT 13 B. Contract and Delivery of New Issues of Canadian Bonds and Debentures sold to Residents of the United States, 1957-62[1]

Year and quarter	Sales contracts entered into	Deliveries of prior sales	Sales for later delivery	Proceeds of new issues[2]	Undelivered balance at end of period
	millions of dollars				
1956	..	..	122	557	122
1957	656	122	80	698	80
1958	574	79	70	583	71
1959	575	64	35	604	42
1960	431	41	104	368	105
1961	355	85	3	437	23
1962	954	23	306	671	306
1960 I	184	27	24	187	39
II	99	28	3	124	14
III	52	11	31	32	34
IV	96	3	74	25	105
1961 I	130	52	93	89	146
II	90	73	6	157	79
III	65	48	13	100	44
IV	70	24	3	91	23
1962 I	141	7	109	39	125
II	76	118	7	187	14
III	365	5	295	75	304
IV	372	152	154	370	306

[1] For quarterly detail 1957 to 1959, see Statement 13 B, *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

[2] Proceeds of new issues (part of item D.4, Table II B) = "sales contracts entered into" + "deliveries of prior sales" – "sales for later delivery".

Note: As details of all contracts are not available, deferred deliveries may be understated.

The changes in interest rates in Canada and the United States during 1961 and 1962 were not as sympathetic as they had been in the immediately preceding years. Interest rates in Canada tended to decline in 1961 and increase in 1962 while the converse was true in the United States. The yield on the representative long-term Government of Canada[4] issue shown in Statement 13C fell 45 base points from 5.41 per cent to 4.96 per cent during 1961 and rose 11 base points to 5.07 per cent in December 1962. In the same period the yield on the roughly comparable United States Government[4] issue increased 31 base points in 1961 from 3.80 per cent to 4.11 per cent and then declined 27 base points to 3.84 per cent at the end of 1962. In 1962 the differential varied between 83 base points in January and 152 in August. The yield differential declined to significantly below one per cent per annum for the first time since 1958 in the fourth quarter of 1961 where it remained only until the beginning of May 1962. At that time a substantial increase occurred following the devaluation of the Canadian dollar and the reintroduction of a fixed rate of exchange. The comparison of yields between central government issues may not, however, be the one most appropriate for analysis of international security transactions. Markets for these instruments appear at times to have reflected special local domestic monetary and fiscal situations. It is not improbable that an investor may give to the securities of his own central government a specially preferred position, and may equate the securities of a foreign central government in his portfolio with those of a high grade junior government or corporation. Special tax considerations in the United States add to the difficulty of comparisons.

[4] For the last Wednesday in each month.

STATEMENT 13C. Yields on Representative Long-Term Government Bonds

Last Wednesday	Canada[1]	United States[2]	Differential
	per cent		
1960—Dec.	5.41	3.80	1.61
1961—Mar.	5.18	3.80	1.38
June	4.99	3.97	1.02
Sept.	5.02	4.03	.99
Dec.	4.96	4.11	.85
1962—Mar.	4.86	3.99	.87
June	5.23	3.91	1.32
Sept.	5.38	3.91	1.47
Dec.	5.07	3.84	1.23

[1] 3¾% Jan. 15/75-78.
[2] 3¼% June 15/78-83.

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian bonds and debentures is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of these Canadian securities sold to non-residents in 1962 was $702 million. This included $115 million from the sale of Canadian bonds and debentures payable in Canadian funds and $587 million payable optionally or solely in foreign currencies. As many bond issues are sold at a discount,the par values at which they should be redeemed (unless repurchased through the market) are, of course, somewhat above the amounts received by the borrowers. In addition there may be certain underwriting costs to pay in foreign currencies when the issues are floated abroad.

Retirements of Canadian securities totalled $321 million in 1962, the largest amount recorded since the early postwar years when retirements were motivated by circumstances advantageous to refunding. Gradually mounting repayments can be expected to keep pace with the massive volume of bonds sold abroad in recent years. In addition to calls and maturities of funded debt, the series also reflects retirements of preferred stocks and special repurchases of some common stocks such as those arising from the acquisition by provincial authorities of private utility companies.

Transactions in Foreign Securities

The outflow of funds to cover net purchases by Canadians of foreign securities was extended to four years in 1962 rising to a record $70 million in that year, over double the 1961 total. The 1962 outflow arose entirely from trade in outstanding issues, as purchases of new issues were more than offset by retirements. Net purchases of outstanding foreign securities were confined almost wholly to common and preference stocks with net outflows for bonds and debentures accounting for only 5 per cent of the total. The largest purchase balances occurred between March and July coinciding with the decline in the exchange value of the Canadian dollar. Apart from exchange rate considerations many other influences having a long-term effect on the attractiveness of investment in foreign securities to Canadian investors were felt in recent years. Some of these factors would be the relative economic conditions and expectations in Canada and other countries, the limited opportunity for investment in publicly-owned Canadian companies in some industries and investment indirectly in a wholly-owned Canadian subsidiary through ownership of shares of the foreign parent company; the increasing difficulty of large Canadian institutional investors to trade on a relatively small market without affecting prices significantly; and the decrease in certain types of public utility securities available for investment. Recent years have seen increased portfolio investment abroad by some Canadian investment managers and the creation of some mutual funds for such investment.

Geographically, trade in outstanding foreign securities in 1962 resulted in net capital outflows to the United States, the United Kingdom and other OECD countries and a small inflow from other countries. The overwhelming proportion of these funds went to the United States.

Canadians in 1962 purchased $16 million of new foreign securities. This was smaller than the outflow of $38 million recorded in 1961 when the Commonwealth of Australia offered Canadian dollar bonds in the Canadian capital market. Most of the purchases by Canadians in 1962 were bonds or stocks of the United States and Israel. Retirements of Canadian held foreign securities in 1962 were exceptionally high at $20 million and included mainly investments in the United States, although there was also a scattering of issues of other countries and of international investment organizations.

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1960-62

Account	Trade in outstanding issues			Proceeds of new issues			Retirements			Total		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
	millions of dollars											
By type of security												
Foreign bonds and debentures	− 13	+ 13	− 4	− 10	− 30	− 14	+ 9	+ 9	+ 20	− 14	− 8	+ 2
Foreign common and preference stocks	− 6	− 18	− 70	− 8	− 8	− 2	+ 9	—	—	− 5	− 26	− 72
Totals (Table I, items D6, 7, 8)	**− 19**	**− 5**	**− 74**	**− 18**	**− 38**	**− 16**	**+ 18**	**+ 9**	**+ 20**	**− 19**	**− 34**	**− 70**
By country												
United States	+ 5	+ 7	− 66	− 13	− 19	− 12	+ 12	+ 5	+ 16	+ 4	− 7	− 62
United Kingdom	− 2	− 10	− 2	—	− 2	—	—	—	—	− 2	− 12	− 2
Other sterling area	—	—	—	− 1	− 13	—	+ 1	+ 1	+ 1	—	− 12	+ 1
Other OECD countries	− 1	− 2	− 8	—	—	—	—	—	—	− 1	− 2	− 8
Other countries	− 21	—	+ 2	− 4	− 4	− 4	+ 5	+ 3	+ 3	− 20	− 1	+ 1
Totals (Table I, items D6, 7, 8)	**− 19**	**− 5**	**− 74**	**− 18**	**− 38**	**− 16**	**+ 18**	**+ 9**	**+ 20**	**− 19**	**− 34**	**− 70**
By quarter												
First quarter	+ 7	+ 3	− 29	− 3	− 5	− 2	+ 6	+ 2	+ 5	+ 10	—	− 26
Second quarter	− 5	—	− 35	− 2	− 19	− 4	+ 3	+ 2	+ 5	− 4	− 17	− 34
Third quarter	+ 3	+ 2	− 7	− 3	− 7	− 5	+ 7	+ 3	+ 5	+ 7	− 2	− 7
Fourth quarter	− 24	− 10	− 3	− 10	− 7	− 5	+ 2	+ 2	+ 5	− 32	− 15	− 3
Totals (Table I, items D6, 7, 8)	**− 19**	**− 5**	**− 74**	**− 18**	**− 38**	**− 16**	**+ 18**	**+ 9**	**+ 20**	**− 19**	**− 34**	**− 70**

Note: A minus sign indicates an outflow of capital from Canada.

Long-Term Investments Abroad by the Government of Canada

As in 1961 Canadian Government assistance abroad in 1962 took the form largely of official contributions, payments of the regular assessments from international agencies of which Canada is a member, and guarantees of credit provided directly or indirectly from private sources. Only the latter transactions which give rise to claims on non-residents are reflected in the capital account, while the contributions and assessments form a part of Canada's current payments.

There were no loans made directly by the Government in 1961; however in 1962 Canada subscribed $7 million for bonds of the United Nations (item D. 9), together with $1 million in foreign currency (item D. 13) and $49 million in Canadian funds (included in item D. 17) to international financial agencies. The Canadian dollar payments were largely offset by increased short-term Canadian dollar liabilities to these institutions.

While there were no direct loans made by the Government of Canada to other national governments in either 1961 or 1962, repayments of principal on earlier loans totalled some $38 million and $129 million in 1961 and 1962 respectively. The unusually large total for 1962 included, besides normal amortization, accelerated repayments of $67.6 million by France in the third quarter and of $32.1 million by the Netherlands in the final quarter. Other countries from whom there were receipts included the United Kingdom, India, Belgium and Ceylon. The loan amortization by national governments in 1962 aggregated $10 million in the first half of the year and $119 million in the latter half, when the net effect of accelerated repayments was $91 million. In addition to the principal repayments,

there were receipts of $27 million on account of interest in 1962 somewhat below the $32 million received in 1961; these are a part of the item in the current account covering Canada's receipts of interest and dividends.

By the end of 1962 the outstanding balances on loans of $2,485 million extended by Canada since the beginning of World War II amounted to $1,220 million.[5] The amount of principal outstanding on the United Kingdom loan of 1946 was $1,013 million, and a further $207 million was outstanding by other overseas countries on postwar loans made under Part II of the Export Credits Insurance Act, special wheat and flour loans, etc. There was in addition $31 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1962 payments were overdue on the intergovernmental loans made in the interwar years and on the postwar loan to China. These inactive loans amounted to $80 million out of the total of $1,251 million outstanding.

The export credits extended by Canada are described later in the section on "Other Capital Movements".

Change in Canadian Dollar Holdings of Foreigners

In sharp contrast to the capital inflow of unusually high proportions due to the increase in holdings of Canadian dollars by non-residents in 1960, there were capital outflows in both 1961 and 1962 of $35 million and $24 million respectively as foreign investors reduced their Canadian dollar holdings. On a quarterly basis net outflows were recorded for the first three quarters of 1961, particularly the second quarter, while a substantial inflow occurred in the last quarter of that year. In 1962 there were sharp fluctuations between quarters with sizable inflows in the second and fourth quarters being overshadowed by the larger outflows of the first and third quarters.

Geographically, residents of the United States increased their holdings by $24 million in 1962 while those of United Kingdom and other countries, particularly in continental Europe, were reduced by $13 million and $35 million respectively. This pattern was rather different from that of 1961 when United States investors reduced their holdings by $22 million, while those of United Kingdom residents were increased by $1 million. The holdings of residents of other overseas countries in 1961 were reduced in total by $14 million with increased holdings of continental European residents being more than offset by decreases in those of investors elsewhere.

The continuing development of the short-term money market in Canada, its relationship to markets in other countries, and its effect on the Canadian balance of international payments are again indicated by the prominence of transactions by non-residents in Canadian treasury bills, a major factor in the Canadian dollar holdings of foreigners.

Over the course of 1962 non-residents purchased about $460 million of Canadian treasury bills, up significantly over the total of $375 million for 1961, which also was approximately the annual level of sales in the two preceding years. As most of the bills acquired by non-residents matured or were repurchased by Canadians in the same year, the net holdings rose by only $4 million in 1962 following a reduction of $58 million in the previous year. Total non-resident owned holdings at the end of 1962 were $66 million. Residents of the United States held two-thirds of this amount, a sharp increase from the two-fifths of the slightly smaller amount outstanding at the end of 1961 held by investors of that country.

[5] Excludes $44 million deferred interest on the loan of 1946 to the United Kingdom.

About the figures –

CANADIAN DOLLAR HOLDINGS OF FOREIGNERS

Total deposits in Canada of non-residents are obtained annually, classified by areas and by nature of holder and account, from the Bank of Canada, the chartered banks, trust and loan companies, and other depositories. Quarterly data are obtained from the Bank of Canada and the chartered banks. Estimates of Canadian treasury bills held by non-residents are based on reported transactions and identifiable holdings as described in the note "About the figures – Non-resident Participation in Canadian short-term Money Markets". Holdings of the international financial agencies are excluded from item D. 14 but are included in item D. 17.[6]

[6] Under the new presentation introduced in 1963, but not followed in the body of this report, holdings of international investment agencies are included in item D. 14 and of the International Monetary Fund in item H. 2.

Statement 14 A gives monthly figures for 1960, 1961 and 1962 of sales to non-residents of Canadian treasury bills and of repurchases and maturities of their holdings, together with the amounts held at the end of each month. Holdings reached a month end high in 1961 of $163 million in April, and a low of $43 million in August. The 1962 peak of $147 million was reached in May (when it may be presumed that most of the holdings were hedged by forward exchange contracts), and the holdings were at their low of $66 million at the year end.

STATEMENT 14 A. Transactions in Canadian Treasury Bills between Canada and Other Countries, 1960 - 62

Month	Sales			Repurchases and maturities			Net change in holdings			Holdings at month end		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
	millions of dollars											
January	20	45	21	12	46	11	+ 8	- 1	+ 10	72	119	72
February	16	30	31	29	43	20	- 13	- 13	+ 11	59	106	83
March	21	86	28	24	39	31	- 3	+ 47	- 3	56	153	80
April	16	45	77	12	35	28	+ 4	+ 10	+ 49	60	163	129
May	18	18	36	20	29	18	- 2	- 11	+ 18	58	152	147
June	19	15	45	31	89	62	- 12	- 74	- 17	46	78	130
July	43	16	61	17	45	50	+ 26	- 29	+ 11	72	49	141
August	36	10	27	17	16	38	+ 19	- 6	- 11	91	43	130
September	28	14	35	46	13	38	- 18	+ 1	- 3	73	44	127
October	68	18	19	36	14	54	+ 32	+ 4	- 35	105	48	92
November	49	17	27	14	11	32	+ 35	+ 6	- 5	140	54	87
December	46	61	53	66	53	74	- 20	+ 8	- 21	120	62	66
Year	**380**	**375**	**460**	**324**	**433**	**456**	**+ 56**	**- 58**	**+ 4**	**120**	**62**	**66**

Notes: The figures for 1960 include minor unidentified amounts of commercial paper.
An increase in holdings (+) reflects a capital inflow.

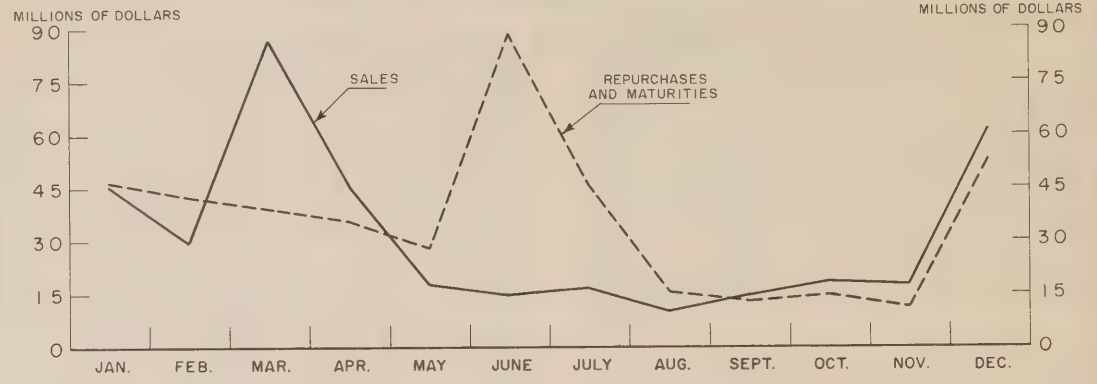
The charts showing the transactions in 1961 and 1962 also illustrate some of the factors influencing interest arbitrage movements of capital from the United States to Canada.[7] Yield on 91-day Canadian treasury bills moved through a range in 1962 which was more than double that in 1961. The average tender rate was at its low point of 3.04 per cent in the second week of April and reached a high of 5.51 per cent in the third week of July. During 1961 yields ranged between 2.26 per cent and 3.34 per cent. Yields on corresponding United States treasury bills showed greater stability, and the range from 2.64 per cent to 2.95 per cent through 1962 was narrower than in 1961. Throughout 1962 the Canadian yield remained above the United States counterpart. The narrowest differentials, occuring in the early months of the year, were never less than one-quarter of one per cent, widening to a peak of 2.65 per cent by mid-year and remaining in excess of 2 per cent during the third quarter. By the close of the year the differential was just over one per cent.

Forward exchange cover for United States dollars was generally more costly during 1962 than in 1961, reducing the net nominal yield differential (adjusted for the cost of exchange protection) to less than one per cent throughout the year. The maximum protected differential was about 0.80 per cent at the end of June, and in 38 of 52 Thursdays during the year the differential was one-half of one per cent or less. Theoretically movements of interest arbitrage capital may be expected to continue to a point where the cost of exchange protection offsets any remaining interest differential. In practice nominal differentials may be too narrow to motivate actual transactions. Not all purchases by non-residents of treasury bills are hedged by forward exchange contracts. Some investors may choose to accept the risk of exchange rate fluctuations; others may have an ultimate use for the currency and may therefore not be concerned with the repatriation of the proceeds of the maturing bills. Purchases by non-residents in the last quarter of each year tend to include amounts of this nature.

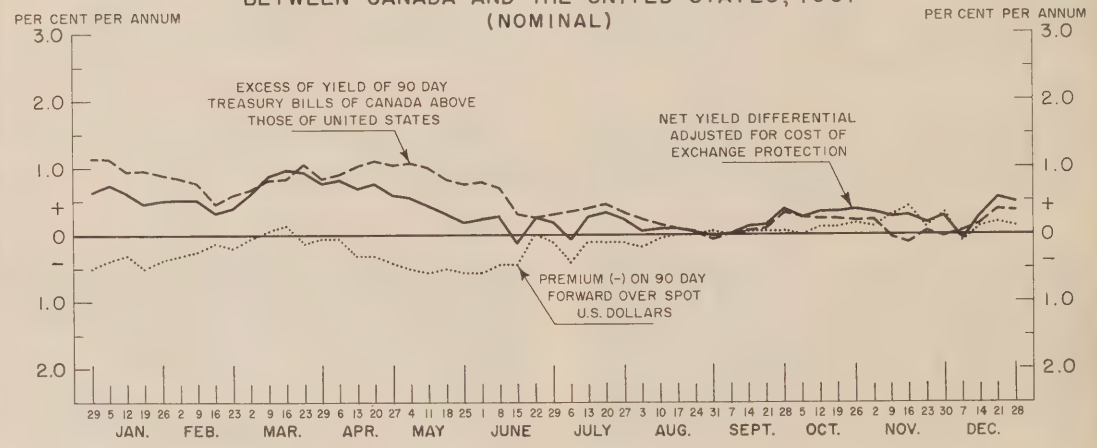
At the close of 1962 non-residents' holdings of Canadian dollars totalled $540 million including $66 million of Canadian treasury bills. About $340 million of this total belonged to residents of the United States. These figures are apart from holdings of international investment agencies. (Changes in these holdings are shown in "Other capital movements"). In addition to treasury bills, Canadian dollar holdings of foreigners took the form of deposits with the chartered banks, the Bank of Canada, and trust companies, as well as some official accounts with the Government of Canada or its agencies.

[7] Quotations upon which the interest differentials are based are not technically comparable but are sufficiently accurate to illustrate the broad character of the changes.

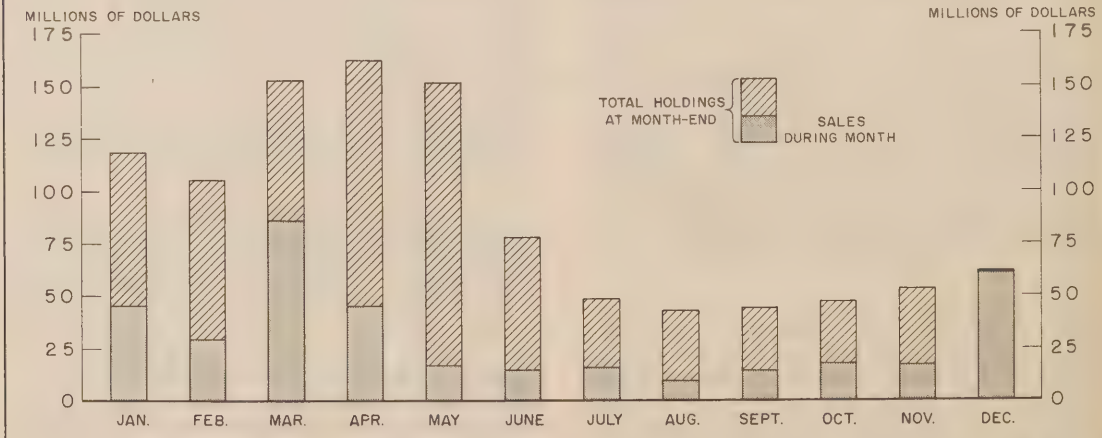
SALES, REPURCHASES AND MATURITIES OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1961



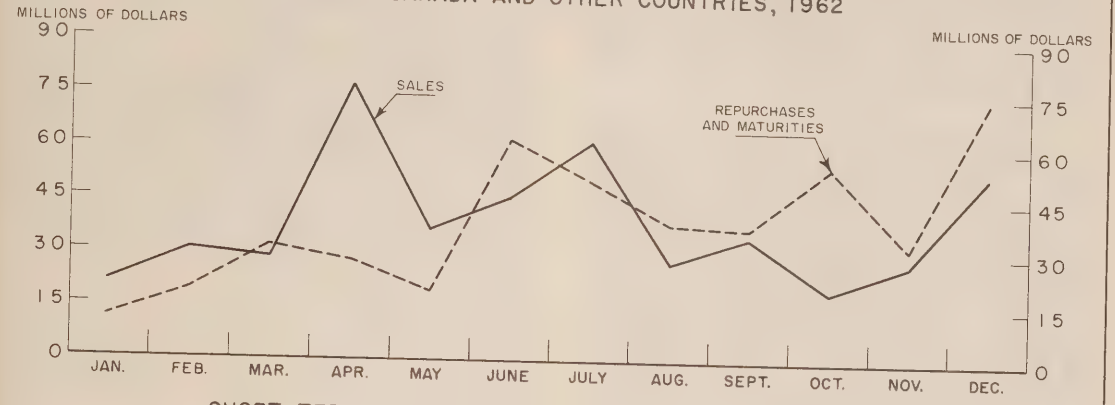
SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1961 (NOMINAL)



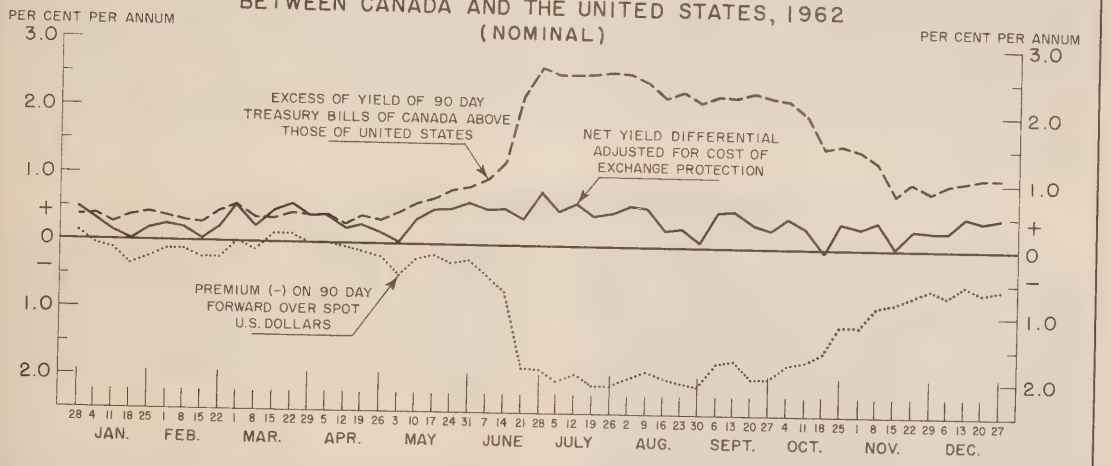
HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1961



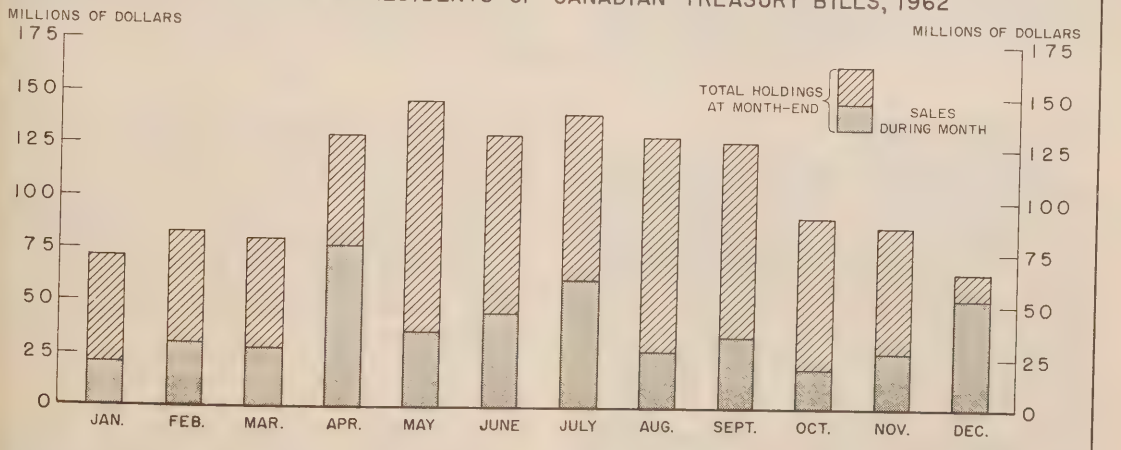
SALES, REPURCHASES AND MATURITIES OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1962



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1962 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1962



Change in Official Holdings of Gold and Foreign Exchange

During 1961 and 1962 there were wide fluctuations in official holdings of gold and foreign exchange which culminated in massive international co-operation to maintain the exchange value of the Canadian dollar established in May of 1962.

In 1961 official holdings of gold and foreign exchange increased by $229 million expressed in Canadian dollars. About $10 million and $52 million were provided in the second and third quarters of the year to Australia and the United Kingdom respectively against Canadian dollars drawn from the International Monetary Fund. After taking into consideration a similar but smaller transaction, the increase in Canada's net International Monetary Fund position was $61 million; therefore apart from these special transactions the rise in official holdings of gold and foreign exchange was $290 million in 1961. The overall annual change was the largest since the withdrawal of fixed exchange rates in 1951. Over the year there was a small net increase of $2 million in official holdings of sterling, while the remainder of the net movement was reflected by increased holdings of gold and United States dollars.

The major factors affecting the change in official holdings of gold and foreign exchange during 1962 have already been described in the Background and Summary section of this chapter. However, it may be noted that apart from the drawing of U.S. $300 million in various foreign currencies from the International Monetary Fund in the second quarter of 1962, repurchases of their own currencies in the amount of U.S. $10 million and U.S. $40 million were made in Canadian funds from the Fund by Australia and United Kingdom respectively. These repurchases were made in the first and second quarters of 1962 before the Fund's holdings of Canadian dollars exceeded 75 per cent of the Canadian quota. After the Canadian purchase of foreign currencies, the Fund's holdings of Canadian dollars were 125 per cent of Canada's quota. Although Canada's net International Monetary Fund position has not been included in this report with the official holdings of gold and foreign exchange, nevertheless, as was demonstrated in 1962, it forms in a very real sense a second line of reserve.

About the figures –

OFFICIAL HOLDINGS OF GOLD AND FOREIGN EXCHANGE

Figures of official holdings of gold and United States dollars are published monthly in the Bank of Canada *Statistical Summary;* the separate components are shown in greater detail in the annual "Supplement" to the Summary, which also includes annual statements of the assets and liabilities of the Exchange Fund Account. Corresponding official holdings of sterling normally appear monthly in the International Monetary Fund's publication, *International Financial Statistics.* The capital movements reflecting changes in official holdings of gold and foreign exchange appear as item D. 16 in estimates of the Canadian balance of international payments. The figures represent the sum of the changes in holdings (expressed in foreign currency) converted to Canadian dollars at the average noon exchange rate for the month. Consequently the amounts differ from the change in holdings expressed in foreign currencies and also from the change from the beginning to the end of a period in the Canadian dollar equivalent of holdings. Changes in official holdings of gold are attributed in the bilateral statements to the account with the United States.

Corresponding holdings of other foreign currencies of a working balance nature only are not sizable. They have been included with "Bank balances and other short-term funds abroad" in item D. 17.

Other Capital Movements

All other capital movements are estimated to have led to net capital inflows of $460 million in 1961 and $253 million in 1962, extending to eight years the run of inflows from this group of transactions. The 1961 inflow greatly exceeded that for all other years including the previous high of $360 million established in 1959 (although it may be noted that an outflow of a greater magnitude occurred in 1952) and represented a greater capital import on balance than either net direct investment or net security trading.

A summary of the diverse components of this category of the Canadian balance of payments for the years 1956 to 1962 appears in Statement 15 while quarterly details for the years 1960 to 1962 are presented in Statement 15 A. Taken as a whole, there have been inflows from these transactions in the second quarter and outflows in the third in eight of the last ten years. While it would seem that seasonal factors are in evidence in the totals, the individual components have not all been obtainable on a quarterly basis with sufficient precision to facilitate examination into their behaviour in the past. However, improvements in coverage and statistical techniques initiated in 1960 will make available more reliable estimates of the components on a quarterly basis.

The group of entries related to Canada's participation in international financial agencies requires little further comment, as a description of them has already appeared earlier in this report.

STATEMENT 15. Composition of Other Capital Movements, 1956-62

(A minus sign indicates an outflow of capital from Canada)

Transactions by type and quarter	1956	1957	1958	1959	1960	1961	1962
	millions of dollars						
By type							
International financial agencies:[1]							
Canadian dollar subscriptions	– 1	8	– 3	– 178	– 10	– 17	– 49
Short-term Canadian dollar holdings	– 16	– 7	2	181	5	– 43	98[4]
Other long-term capital transactions	152	42	100	28	62	132	– 140
Borrowings from non-residents by finance companies	64	7	24	73	70	} 100	146
Non-resident holdings of commercial paper	..	..	..	..	..		
Bank balances and other short-term funds abroad (excluding official reserves)[2]	– 215	– 274	– 58	– 120	– 60	140	94
All other transactions including changes in loans and accounts receivable and payable[3]	168	350	57	376	171	148	104
Totals (Table II, item D 17)	**152**	**126**	**122**	**360**	**238**	**460**	**253**
By quarter							
First quarter	206	124	131	118	– 77	260	– 26
Second quarter	93	114	19	201	157	144	– 377
Third quarter	– 99[r]	– 109	– 137	37	– 31	– 189	552
Fourth quarter	– 48	– 3	109	4	189	245	104
Totals (Table II, item D 17)	**152[r]**	**126**	**122**	**360**	**238**	**460**	**253**

[1] International Bank for Reconstruction and Development, International Monetary Fund, and International Development Association.
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.
[4] Excludes counterpart of special financial assistance to Canada which is included in item D 15.

Note: For annual detail 1946-55, see Table I in *Canada's Short-term External Assets and Liabilities, 1945-57* (DBS Catalogue No. 67-504).

STATEMENT 15 A. Composition of Other Capital Movements by Quarters, 1960-62

(A minus sign indicates an outflow of capital from Canada)

Transactions by type	1960				1961				1962			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
	millions of dollars											
International financial agencies:[1]												
Canadian dollar subscriptions	–	– 2	– 2	– 6	–	– 9	–	– 8	– 22	– 12	– 7	– 8
Short-term Canadian dollar holdings	–	3	2	–	2	–	– 52	7	33	54[4]	1	10
Other long-term capital transactions	3	45	– 2	16	35	11	32	54	– 21	– 141	24	– 2
Borrowings from non-residents by finance companies	– 5	13	6	56	} 72	15	– 3	16	28	15	35	68
Non-resident holdings of commercial paper	..	..	..	..								
Bank balances and other short-term funds abroad (excluding official reserves)[2]	32	– 79	– 86	73	142	49	– 124	73	41	– 208	242	19
All other transactions including changes in loans and accounts receivable and payable[3]	–107	177	51	50	9	78	– 42	103	– 85	– 85	257	17
Totals (Table IV, item D 17)	**– 77**	**157**	**– 31**	**189**	**260**	**144**	**– 189**	**245**	**– 26**	**– 377**	**552**	**104**

[1] International Bank for Reconstruction and Development, International Monetary Fund, and International Development Association.
[2] Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.
[3] Includes also balancing item representing difference between direct measurements of current and capital accounts.
[4] Excludes counterpart of special financial assistance to Canada which is included in item D 15.

Note: For quarterly totals 1953-55, see *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

Many different types of movement, in both directions, contributed to the net inflow of $132 million is 1961 and the first outflow since 1953 of $140 million in 1962 arising from other long-term capital transactions. Among them were transfers of capital by insurance companies, long-term bank loans, trade credits and other borrowing. A significant contribution to the net inflow for 1961 were payments received under the uranium stretch-out agreements. Receipts under these agreements diminished substantially in 1962. In the latter year about four-fifths of the total net outflow covered substantial repayments of bank loans which were financed from the sale to non-residents of a new corporate bond issue in the second quarter.

About the figures –

NON-RESIDENT PARTICIPATION IN CANADIAN SHORT-TERM MONEY MARKETS

Non-resident participation in the short-term money markets in Canada is reflected in several places in the published statements of the Canadian balance of international payments. Transactions in Government of Canada Treasury Bills are included with "Change in Canadian dollar holdings of foreigners" shown as item D. 14 in the capital account. The group of transactions shown under item D. 17 as "Other capital movements" includes transactions in Canadian commercial and finance paper and in other finance company obligations (bank loans, intercompany accounts, notes, etc., which have not been included with the security transactions reflected in items D. 3, 4 and 5). Beginning in 1963 it also includes "buy-back transactions", involving simultaneous purchase and resale contracts, based on Government of Canada securities having an original term over one year; these transactions were not segregated until 1963 from the normal trade in outstanding issues of this type shown in item D. 3.

In general the data for these short-term money market transactions are derived from reports submitted by the security dealers and other financial intermediaries in Canada which are the basis of the monthly series covering security trading between Canada and other countries, for which quarterly totals also appear in items D. 3 and D. 6. These reports are supplemented by some returns from principals.

A special problem arises in the calculation of data covering repurchases and maturities (outflows), because the reporting agencies may not be involved. The estimated repurchases and maturities are, therefore, made up of reported repurchases and an allowance for maturities based on some arbitrary assumptions as to term. In the determination of these assumptions special assistance is obtained from some of the larger firms.

The net export credits extended by Canada directly or indirectly under guarantee at risk of the Government of Canada, as measured for balance of payments purposes, and including both long and short-term credits, amounted to about $130 million in 1961 and $60 million in 1962. It may be noted that most of the reduction reflects substantial repayments, some of which have been made in advance of their due date. Net capital outflows originating from these trade credits are smaller than the net credits extended because some paper is rediscounted with non-residents or into Canadian banking assets abroad, while additional amounts are financed by borrowing abroad; such types of financing are estimated to have accounted for about two-fifths of the totals in 1961 and 1962. The net movements remaining after the above financing are included in the items of "Other capital movements" appropriate to their term. This financing contributed in 1962 between $40 and $50 million to the outward amount in long-term forms, included in the item "other long-term capital transactions", and somewhat less than half this amount in 1961. (Short-term movements are included in "all other transactions including changes in loans and accounts receivable and payable".)

Important types of Canadian money market instruments, apart from treasury bills (described earlier under "Change in Canadian Dollar Holdings of Foreigners"), are commercial and finance paper. Details of transactions in these instruments are included in the items "borrowings from non-residents by finance companies" and "non-resident holdings of commercial paper". The net capital inflow from these transactions totalled $100 million and $146 million in 1961 and 1962 respectively. These amounts were substantially above those for previous years; however, it should be noted that commercial paper borrowings were not included prior to 1961. In 1961 most of the movement occurred in the first quarter when some $72 million flowed into Canada. Inflows were more evenly spread throughout 1962, although they were particularly large in the fourth quarter. The borrowings from non-residents include some open account advances from affiliates, but the sale abroad of their long-term debentures has been included with portfolio transactions in corporation bonds and debentures.

An interesting change occurred in 1961 and 1962 in the composition of bank balances and other short-term funds abroad, apart from official holdings of gold and foreign exchange. After five consecutive annual outflows there was a sharp reversal of the trend in both 1961 and 1962 resulting in inflows of $140 million and $94 million respectively. These private and banking holdings of exchange amounted to just over $1 billion at the end of 1962 compared with about $1.1 billion at the end of 1960. Due to variations in the foreign exchange value of the Canadian dollar, the change in the value of these assets between the end of 1960 and 1962 does not correspond with the capital inflows. Nearly $150 million of the inflow in the two years was offset by increases in the value of these holdings due to the devaluation of the Canadian dollar over the period. For the most part these assets take the form of deposits of residents represented by claims in United States dollars or of United States short-term securities held for the account of residents.

In the light of the net decrease in these holdings equivalent to about $94 million in 1962, it will be of some interest to note that total foreign currency deposits with the Chartered Banks of Canada as a whole rose in the same period from about $3,488 million to $3,958 million, while their net foreign assets, after provision for reserves, decreased from $21 million to a short position of $82 million. There are many factors entering into the reconciliation between the series appropriate for the balance of payments and the Statutory Returns of the Chartered Banks. Some of the reported deposits form part of the operations of the banks outside Canada, while some which are in Canada are not assets of Canadian

residents or are associated with loans in foreign currency to Canadian residents. They are accordingly not foreign assets from the point of view of the Canadian economy as a whole. On the other hand there are important foreign currency deposits held directly outside Canada by residents other than banks.

Figures of bank balances and other short-term funds abroad include holdings by Canadians of foreign treasury bills and similar instruments. Reference has already been made in the earlier section discussing changes in Canadian dollar holdings of foreigners to varying conditions in the international money market. As a result of these factors there were at times in 1961 and 1962 substantial purchases by Canadians of foreign treasury bills. Available statistical sources do not permit the complete segregation of these transactions. It is clear, however, that over the course of the two-year period Canadians purchased, apart from official and banking funds, substantial amounts of treasury bills and similar short-term securities of the United States and the United Kingdom. Because of the short term of these instruments, the net capital movement in any period of the year and the holdings at any one time were of course much lower than the magnitude of gross purchases might imply. From the evidence available it appears that because of purchases and resales Canadian holdings fell somewhat during 1961 and recovered most of this decrease in 1962. Movements into United States short-term securities on an interest arbitrage basis were not attractive over the two year period but a considerable outflow occurred in the first half of 1962 which was subsequently largely reversed. The net effect of the movements in 1962 was an increase of almost $5 million in holdings of United States short-term instruments to between $35 and $40 million at the end of the year. Interest arbitrage movements from Canada to the United Kingdom were theoretically advantageous during much of the first quarter of 1961 and in the fall of that year. In 1962 such movements were advantageous during most of the first and last quarters of the year. In both years changes in Canadian holdings of United Kingdom short-term securities were largely in sympathy with the interest arbitrage position. During 1961 Canadian purchases were reported in the first and third quarters, but were permitted to run off in the second and fourth quarters, with a net decrease in holdings over the year of about $6 million. In 1962 there were purchases reported in the first and fourth quarters and decreases in the rest of the year; holdings rose by somewhat less than $3 million.

All other movements led to inflows of $148 million in 1961 and $104 million in 1962. This category reflects the change in net short-term banking and other loans and accounts payable, including the short-term export credits referred to earlier. In addition it includes the balancing item representing the difference between direct measurements of the current and capital accounts. Increased bank borrowings by Canadians in foreign currencies were of the order of $175 million in 1962 and all other transactions, including the balancing item, produced a net outflow.

About the figures –

BANK BALANCES AND OTHER SHORT-TERM FUNDS ABROAD
(excluding Official Reserves)

For convenience of description these holdings may be divided into two parts, (1) the spot positions or net holdings in foreign currencies of the head offices and branches in Canada of the chartered banks, which are exclusive of the cover for deposit liabilities in foreign currencies, and (2) foreign currency deposits of other residents of Canada whether with banks in Canada or abroad, together with their holdings of foreign treasury bills, etc.

In the case of the net holdings of foreign currencies by the head offices and branches in Canada of the chartered banks, it should perhaps be noted that these institutions have an extensive international banking business. To the extent that foreign currency deposits are obtained from non-residents and employed directly outside Canada, this foreign currency business gives rise to no net capital movements to or from Canada, and it has always been treated in the Canadian balance of payments as "extra-Canadian". This is not the case in the statistics of some other countries where the character of the business of Canadian banks cannot be as clearly distinguished. The difference in treatment affects bilateral statements and sometimes leads to comments on capital "movements" to or from Canada which do not appear in official Canadian statistics.

The net banking position is estimated from data obtained from the banking system and changes in it, expressed in foreign currency, are converted to Canadian dollars at the average noon rates for the period covered. As the purpose is to measure capital flows, the series used have been selected to eliminate the effects of changes in reserves against foreign currency assets.

The second part of the holdings is more difficult to measure. A considerable part of the balances is reflected on questionnaires collected from some thousands of Canadian corporations, but the schedules do not, of course, cover all the resident holders of foreign currency. A more comprehensive figure of the change may be derived through the use of aggregative banking statistics where these are available. Use is made of the deposit liabilities in foreign currencies payable to residents of Canada at head offices and branches in Canada of Canadian chartered banks together with estimates of additional foreign currency held by residents with institutions directly outside the country. Among the supplementary sources employed in the latter estimates are the data reported by United States banks to the Treasury Department of that country covering their short-term liabilities in United States dollars to residents of Canada other than banks and official institutions. There are included additionally in the series minor working balances of the Bank of Canada and Government of Canada in currencies other than United States dollars and sterling.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Estimates of the various external assets and liabilities relating to the nation's international investment position are presented in Tables V to XIII at the end of this report and appear in summary form in Statements 16 to 18. The difference between the assets and liabilities is described as the Canadian balance of international indebtedness.[8] This balance arises from the amount by which foreign investments in Canada and other kinds of liabilities abroad exceed external assets owned by Canadians.

A variety of classifications of the components could be established as the framework for the consideration from different points of view of this aspect of Canada's international economic and financial relationships. For some purposes there would be special interest in a distinction between long-term and short-term components, for others to components providing for contractual repayment or carrying service obligations in foreign currency at a predetermined rate, or to the range of yields immediate or accrued attaching to their term and liquidity, or to the division of them between the private and public sectors. All of these might have meaning in the context of particular studies. While it is not possible to compile all the components of Canada's international investment position in such a way as to permit precise classifications on all these bases, a great many combinations to meet particular purposes are made possible by the variety of detail included in Tables V to XIII and in some of the statements in this section.

Canada's balance of international indebtedness rose by 6½ per cent or $1.1 billion to $17.9 billion in 1961. This increase was smaller than for any year since 1955, although the net indebtedness of Canada to investors in other countries has shown a persistent growth from its postwar low of $3.8 billion in 1949. The principal factors contributing to the growth of this indebtedness are Canada's current account deficit and the net balance of earnings accruing but not paid on foreign investments in Canada less those on Canadian investments abroad. One factor contributing to the more moderate rise in 1961 has been the addition of some quarter of a billion dollars to the value of Canada's external assets resulting from the lower foreign exchange value of the Canadian dollar. Reduced capital inflows and lower income of non-residents reinvested in Canada also contributed to the smaller increase in 1961.

[8] The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends 1926-61

Item	1926	1930	1939	1945	1949	1956	1957	1958	1959	1960	1961
	billions of dollars										
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	17.7	19.9	21.8	24.3	26.1	27.8
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.7	8.1	8.4	8.8	9.3	9.8
Net indebtedness	**5.1**	**6.5**	**5.5**	**4.0**	**3.8**	**10.0**	**11.8**	**13.4**	**15.4**	**16.8**	**17.9**

Note: For details see Table V. As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

The major contributor to the increased balance of indebtedness in both the year and the decade has been the expansion in foreign long-term investments in Canada. These have been rising over a long period, being a prominent source of the financing of investment in Canada. Their value totalled $23.6 billion at the end of 1961, up from $22.2 billion a year earlier and $7.1 billion at the beginning of the postwar period. The rates of increase of over 6 per cent in 1960 and again in 1961 are less than in some earlier periods. The largest parts of the increases in the value of this group of investments have come from inflows of capital to Canada which are reflected in the capital account of the balance of payments. In addition, other significant parts of the growth have originated in the retention in Canada of parts of the earnings on investments accruing to non-residents.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends 1900-61

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1955	1959	1960	1961
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,275	15,826	16,718	17,966
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	3,199	3,359	3,385
Other countries	14	178	177	170	188	286	352	842	1,832	2,137	2,219
Total book value	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**13,473**	**20,857**	**22,214**	**23,570**

[1] Privately estimated; for sources see Table XIII.

Most of the recent increases have been due to the expansion in direct investments in business enterprises which are controlled abroad. Totalling $13.7 billion these make up nearly three-fifths of the total, and have been growing more rapidly over the period than portfolio investments. The increases in direct investments are distributed among primary and secondary industries with gains in manufacturing being almost as large as in the petroleum and mining industries. There were also sizable rises in the financial field, but in merchandising and in utilities other than pipelines the gains were more moderate. There was a proportionately large gain in non-resident holdings of government and municipal bonds, mainly arising from sales of new issues outside of Canada. But in the case of other portfolio investments the increase was relatively small, except in the case of miscellaneous investments which are held mainly through intermediaries.

Investments owned in the United States accounted for most of the increase in the total, rising to $18.0 billion at the end of 1961 from $16.7 billion in 1960. The direct investment group with a book value of $11.3 billion was again the main source of the rise, with other substantial gains in United States holdings of Canadian government and municipal bonds, other portfolio holdings and miscellaneous investments. Investments owned in the United Kingdom rose only moderately in 1961 to a total of $3.4 billion, and investments owned in other countries showed a somewhat larger gain to a total of $2.2 billion.

Other liabilities to non-residents brought Canada's total external liabilities at the end of 1961 to $27.8 billion. Canadian long-term investments abroad totalled about $6.1 billion (about $1.6 billion of them being directly offset by items included among other liabilities to cover the equity in them of non-residents, or by short-term Canadian dollar liabilities arising from Canada's subscriptions to international financial agencies). They include $4.1 billion of private direct and portfolio investments abroad and $2.0 billion of Government of Canada loans and investments. To the total of long-term investments must be added other short-term assets abroad, including Canada's official holdings of gold and foreign exchange, private and banking holdings of foreign funds, and accounts receivable, bringing gross assets to $9.8 billion.

It may be noted that effective in 1960 the statistical treatment accorded some international groups of companies has been changed to reflect more closely their ultimate corporate ownership. The net effect of these changes is to reduce United States owned investments in Canada and to increase those owned by residents of the United Kingdom and of other overseas countries. The effects are concentrated in several industrial groupings.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends 1926-61

Classification	1926	1930	1945	1949	1956	1957	1958	1959	1960	1961
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	7,392	8,472	9,045	9,912	10,549	11,284
Government and municipal bonds	909	1,205	1,450	1,534	1,872	2,061	2,344	2,764	2,903	3,049
Other portfolio investments	799	1,368	1,106	1,107	1,802	1,987	2,174	2,242	2,349	2,533
Income accumulating investment funds	—	—	—	—	249	255	342	321	264	266
Miscellaneous investments	85	94	130	170	474	489	536	587	653	834
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**11,789**	**13,264**	**14,441**	**15,826**	**16,718**	**17,966**

Foreign Financing of all Canadian Investment

Statements 19 and 20 show the heightened importance of non-resident investment in Canada in the past decade or so. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to about one-fifth and (direct) foreign financing to one-third of net capital formation. For the period 1956 to 1960, years of intense capital formation, these ratios rose to more than one-third and well over two-fifths respectively. In the following two years, the financing of net capital formation directly by non-residents was practically unchanged, but the percentage use of foreign resources declined one-fifth to 29 per cent, in reflection mainly of the sharp narrowing in Canada's current account deficit with the rest of the world.

The specific significance of these measures together with their definitions is described in "About the figures—Foreign Financing of All Canadian Investment", found on page 50 of the 1960 edition of *The Canadian Balance of International Pay-*

ments and International Investment Position. As indicated by ratio A 2, Canadian savings were adequate to finance 64 per cent of net capital formation between 1956 and 1960 and 71 per cent during 1961 and 1962. But not all domestic savings were used for new investment in Canada. A portion of Canadian savings was, for example, invested abroad, while some savings were employed for the retirement of debts contracted abroad in earlier periods. Accordingly, Canadian savings directly financed since 1956 a smaller part of net capital formation in Canada, i.e. roughly 55 per cent, and direct foreign financing in ratio B 2 accounted for the remaining 45 per cent. Comprised in these non-resident savings were retained earnings generated within the Canadian economy.

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-62

Measure	1946-1949	1950-1955	1956-1960	1961-1962
	percentages			
A. Use of foreign resources as a percentage of:				
1 gross capital formation	—	17	28	24
2 net capital formation	- 11	19	36	29
B. Direct foreign financing of:				
1 gross capital formation	19	25	33	32[1]
2 net capital formation	24	33	45	46[1]

[1] The incidence of an unusually large takeover transaction and of a new issue placed abroad by the Government of Canada has been eliminated.

Note: For a description of statistical methods, see "About the figures—Foreign Financing of All Canadian Investment" in *The Canadian Balance of International Payments, 1960 and International Investment Position*, p. 50.

STATEMENT 20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-62

Year	Gross capital formation	Net use of domestic resources	Net use of foreign resources[1]
	billions of dollars		
1946	2.0	2.2	- .2
1947	2.8	2.6	.2
1948	3.2	3.3	- .1
1949	3.6	3.5	.1
1950	4.5	3.8	.6
1951	5.7	4.8	.9
1952	6.0	5.5	.5
1953	6.6	5.4	1.1
1954	5.6	4.4	1.2
1955	6.6	4.9	1.6
1956	9.1	6.6	2.5
1957	8.9	6.4	2.6
1958	8.0	6.0	2.1
1959	8.9	6.3	2.6
1960	8.6	6.3	2.3
1961	8.0	6.0	2.1
1962	9.3	7.3	2.0

[1] For definition see measure A1 in the source referred to in footnote to Statement 19.

Canada was a net exporter of capital in the immediate postwar years 1946 to 1949, and also for some years before not shown in Statement 20. In this period no net foreign resources were utilized in domestic capital formation, as Canada on balance was able to invest abroad. Direct foreign financing was still about a quarter of net capital formation, however. With the turn of the decade, the tempo of foreign investment in Canada increased. The use of foreign resources as a proportion of gross investment averaged 17 per cent for the first half of the fifties, rose to 28 per cent in the latter half, before declining to 24 per cent in the years 1961 and 1962. The ratios to net capital formation for these three periods were 19 per cent, 36 per cent and 29 per cent. A third of gross capital formation was financed directly in recent years by foreign capital, as compared with a fifth in the early postwar years, and direct foreign financing of net investment almost doubled from 24 per cent to 46 per cent over the span of years. Around 1929 and 1930, however, foreign capital was relatively even more important than in recent years. Direct foreign financing was estimated to represent at least one-half of net capital formation.

Distribution of Ownership of Net Canadian Long-Term Funded Debt

Statement 21 provides a detailed classification of the estimated distribution of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954 and 1960 (net of sinking funds). Over this period of six years, outstanding funded debt is estimated to have risen by 42 per cent to $33.9 billion of which about 13 per cent provided for payment solely or optionally in foreign currency. At the end of 1960 such issues accounted for one per cent of Government of Canada debt (excluding railway debt), 24 per cent of provincial debt, 25 per cent of municipal debt, 19 per cent of railway debt, and 20 per cent of other corporate funded debt. They represented 22 per cent of all funded debt other than Government of Canada direct issues. Total non-resident ownership rose by 59 per cent to $6.1 billion. Perhaps one-third of this total represented investment from the United States by insurance companies; some of these companies also have large investments in Canadian securities arising from their Canadian business. Securities owned by non-residents accounted for 4 per cent of the Government of Canada debt, 27 per cent of provincial debt, 29 per cent of municipal debt, 21 per cent of railway debt and 30 per cent of other corporate funded debt. This was 18 per cent of all funded debt or 28 per cent of all funded debt except Government of Canada direct issues.

STATEMENT 21. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt Classification by Currency of Payment, End of 1954 and 1960

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1960	1954	1960	1954	1960	1954	1960	1954	1960
	millions of dollars									
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only[1]	12,640	13,917	12,284	13,424	265	290	22	25	69	178
Payable in foreign currencies only	392	183	97	65	242	92	49	23	4	3
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	**13,041**	**14,100**	**12,382**	**13,489**	**515**	**382**	**71**	**48**	**73**	**181**
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	4,660	2,456	4,496	45	92	30	44	12	28
Payable in foreign currencies only	512	1,353	1	5	510	1,335	1	—	—	13
Payable optionally in Canadian or foreign currencies	388	132	22	12	359	117	7	3	—	—
Sub-totals	**3,443**	**6,145**	**2,479**	**4,513**	**914**	**1,544**	**38**	**47**	**12**	**41**
Municipal:										
Payable in Canadian dollars only	1,491	2,686	1,389	2,534	72	117	26	24	4	11
Payable in foreign currencies only	285	839	14	1	267	827	3	5	1	6
Payable optionally in Canadian or foreign currencies	87	57	27	21	54	33	6	3	—	—
Sub-totals	**1,863**	**3,582**	**1,430**	**2,556**	**393**	**977**	**35**	**32**	**5**	**17**
Railways:										
Payable in Canadian dollars only	895	1,890	850	1,818	30	18	7	12	8	42
Payable in foreign currencies only	422	413	—	—	133	133	287	278	2	2
Payable optionally in Canadian or foreign currencies	253	36	116	22	111	1	4	—	22	13
Sub-totals	**1,570**	**2,339**	**966**	**1,840**	**274**	**152**	**298**	**290**	**32**	**57**
Other corporations:										
Payable in Canadian dollars only	3,193	6,190	2,779	5,331	249	570	142	198	23	91
Payable in foreign currencies only	689	1,382	9	42	664	1,305	11	14	5	21
Payable optionally in Canadian or foreign currencies	86	146	18	36	68	105	—	2	—	3
Sub-totals	**3,968**	**7,718**	**2,806**	**5,409**	**981**[2]	**1,980**[2]	**153**	**214**	**28**	**115**
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	29,343	19,758	27,603	661	1,087	227	303	116	350
Payable in foreign currencies only	2,300	4,170	121	113	1,816	3,692	351	320	12	45
Payable optionally in Canadian or foreign currencies	823	371	184	91	600	256	17	8	22	16
Totals	**23,885**	**33,884**	**20,063**	**27,807**	**3,077**	**5,035**	**595**	**631**	**150**	**411**

	1954	1960
[1] Excludes treasury bills and notes	1,530	1,985
[2] Includes corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	7	20
Payable in foreign currencies only	142	98
Payable optionally in Canadian or foreign currencies	39	32
Totals	**188**	**150**

Financial Institutions and Companies

Details of the components of the financial category of the international investment statistics for the end of 1956, 1960 and 1961 are given in Statement 22. This group of investments has grown very rapidly. Foreign investments in the group totalled $595 million at the end of 1951 when they represented more than 6 per cent of total foreign long-term investment in Canada. The total of $2,614 million a decade later represents a rise to over 11 per cent of all investments. Some categories of these investments are similar in character to parts of "Miscellaneous Investments" which are the subject of later comment.

STATEMENT 22. Detail of Foreign Investment in Financial Category, Selected Year Ends 1956-61

Type	Direct investment											
	United States			United Kingdom			Other countries			Total		
	1956	1960	1961	1956	1960	1961	1956	1960	1961	1956	1960	1961
	millions of dollars											
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	271	502	559	18	30	35	40	58	58	329	590	652
Insurance companies	228	461	486	56	88	129	27	61	66	311	610	681
Real estate companies	29	49	104	13	45	48	23	47	53	65	141	205
Other holding companies	23	16	22	28	35	34	62	72	66	113	123	122
Totals as in Table X	**551**	**1,028**	**1,171**	**115**	**198**	**246**	**152**	**238**	**243**	**818**	**1,464**	**1,660**
	Total (Direct and portfolio investment)											
	United States			United Kingdom			Other countries			Total		
	1956	1960	1961	1956	1960	1961	1956	1960	1961	1956	1960	1961
	millions of dollars											
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	378	733	849	151	244	241	48	81	79	577	1,058	1,169
Insurance companies	282	499	499	61	91	131	29	62	67	372	652	697
Real estate companies	37	62	127	21	73	77	37	67	69	95	202	273
Income accumulating funds[1]	249	264	266	[2]	[2]	[2]	[2]	[2]	[2]	249	264	266
Other holding companies	37	29	32	51	61	63	107	114	114	195	204	209
Totals as in Table IX	**983**	**1,587**	**1,773**	**284**	**469**	**512**	**221**	**324**	**329**	**1,488**	**2,380**	**2,614**

[1] Investment in Canadian securities only.
[2] Minor investment by United Kingdom and other countries is included with "Other holding companies".

Miscellaneous Investments

Statement 23 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. The large total of foreign investment in Canada held by intermediaries of one type or another and covered in this statement is a measure of the complex channels sometimes followed by international investment. The largest part of the total of $1,681 million is represented by investment in Canadian securities, conservatively estimated at $996 million at the end of 1961. Perhaps two-thirds of this covers investment in Canadian stocks, some of public companies, some of private, and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling $440 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled $245 million.

The 1960 report in this series contained a note "About the figures—Miscellaneous Investments".

STATEMENT 23. Detail of Foreign Investment in "Miscellaneous Investments"[1] Category Year Ends 1956-61[2]

Type	Year end						Country of ownership					
							1960			1961		
	1956	1957	1958	1959	1960	1961	United States	United Kingdom	Other countries	United States	United Kingdom	Other countries
	millions of dollars											
Canadian securities	413	479	613	785	863	996	146	181	536	215	191	590
Mortgages on Canadian real estate	250	255	295	310	355	440	349	3	3	434	3	3
Real estate in Canada	125	115	115	150	160	180	130	15	15	145	16	19
Other investments	30	30	40	40	50	65	28	12	10	40	13	12
Totals as in Tables VIII and IX	**818**	**879**	**1,063**	**1,285**	**1,428**	**1,681**	**653**	**211**	**564**	**834**	**223**	**624**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.
[2] For years 1952-55, see Statement 25, *The Canadian Balance of International Payments, 1960 and International Investment Position.*

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 7,250 by the end of 1961. The increase during the year was 318. As seen in Statement 24 the Bureau's records covered more than 10,000 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1961. The total number of Canadian corporations of all sorts at the beginning of that year was about 125,000. Statement 24 also shows the great corporate activity in the field of foreign investment.

STATEMENT 24. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1960 and 1961

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
1960						
Number at beginning of year	4,917	1,277	518	6,712	2,483	9,195
Add						
New concerns with foreign capital	+ 302	+ 75	+ 58	+ 435	+ 120	+ 555
Transfers of control	+ 23	+ 11	+ 7	+ 41	+ 14	+ 55
Subtract						
Transfers of control	- 17	- 3	- 3	- 23	- 32	- 55
Concerns now wholly-owned by Canadians	- 19	- 5	- 2	- 26	- 10	- 36
Concerns liquidated, merged, etc.	- 168	- 39	- 18	- 225	- 44	- 269
Add						
Net increase in Canadian subsidiaries of these concerns	+ 40	+ 56	+ 20	+ 116	+ 52	+ 168
Number at end of year (Table XI)	**5,078**	**1,372**	**580**	**7,030**	**2,583**	**9,613**
1961						
Number at beginning of year	5,078	1,372	580	7,030	2,583	9,613
Add						
New concerns with foreign capital	+ 246	+ 38	+ 23	+ 307	+ 56	+ 363
Transfers of control	+ 31	+ 13	+ 10	+ 54	+ 33	+ 87
Subtract						
Transfers of control	- 40	- 12	- 6	- 58	- 29	- 87
Concerns now wholly-owned by Canadians	- 23	- 6	- 5	- 34	- 32	- 66
Concerns liquidated, merged, etc.	- 170	- 50	- 22	- 242	- 50	- 292
Add						
Net increase in Canadian subsidiaries of these concerns	+ 83	+ 68	+ 42	+ 193	+ 74	+ 267
Number at end of year (Table XI)	**5,205**	**1,423**	**622**	**7,250**	**2,635**	**9,885**

Note: These numbers exclude about 270 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous investments" group.

Canadian Direct Investment Abroad

Canadian direct investment abroad has continued to rise reflecting capital outflows and undistributed earnings. Details by area and industry at the end of 1961 and some earlier years appear in Statements 25 to 27, while the following section of this report discusses the underlying ownership and control of these investments by Canadians and non-residents. Influenced partly by the rising value of foreign currencies in terms of Canadian funds, the value of these Canadian direct investments abroad is estimated to have risen from $2.3 billion at the end of 1959 to $2.6 at the end of 1961. Canadian capital invested abroad in other forms is shown in Tables V and VII, with a more extended note later in the text on Canadian portfolio investment in stocks of United States corporations.

STATEMENT 25. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends 1949-61

Area	1949	1954	1958	1959	1960	1961
	millions of dollars					
United States	721	1,231	1,440	1,498	1,632	1,747
United Kingdom	59	119	200	235	257	288
Latin America	47	77	137	161	158	153
Other America	25	55	155	168	173	176
Africa	20	48	64	65	68	44
European Economic Community (Common Market)	19	34	62	41	45	60
Other Europe				36	45	34
Australasia	25	40	56	65	71	76
Asia	10	15	35	26	32	41
Totals	**926**	**1,619**	**2,149**	**2,295**	**2,481**	**2,619**

Note: For industrial distribution see Statement 27 and Table VII.

STATEMENT 26. Canadian Direct Investment in European Economic Community (Common Market) End of 1960 and 1961

Country	1960	1961
	millions of dollars	
France	24	28
West Germany	10	16
Italy	8	12
Belgium and Luxembourg	2	2
Netherlands	1	2
Totals	**45**	**60**

STATEMENT 27. Canadian Direct Investment Abroad, Industrial Detail, End of 1954 1960 and 1961

Classification	United States			United Kingdom			Other Commonwealth countries			Other countries			Total		
	1954	1960	1961	1954	1960	1961	1954	1960	1961	1954	1960	1961	1954	1960	1961
	millions of dollars														
Railways	273	271	278	—	—	—	—	—	—	—	—	—	273	271	278
Other utilities	117	103	135	1	14	12	4	10	15	32	58	58	154	185	220
Industrial and commercial	686	971	1,016	118	240	271	74	121	97	57	150	181	935	1,482	1,565
Mining	39	53	50	—	—	—	60	156	145	34	66	45	133	275	240
Petroleum[1]	106	170	190	—	—	—	—	—	—	6	14	14	112	184	204
Financial	3	25	37	—	2	2	—	3	4	—	2	2	3	32	45
Other	7	39	41	—	1	3	—	9	19	2	3	4	9	52	67
Totals	**1,231**	**1,632**	**1,747**	**119**	**257**	**288**	**138**	**299**	**280**	**131**	**293**	**304**	**1,619**	**2,481**	**2,619**

[1] Excludes pipelines which account for most of "Other utilities" in the United States.

Equity of Non-Residents in Canadian Assets Abroad

Non-residents have an important equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.[9] This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in Statement 28. The total capital at the disposition of Canadian direct investment companies abroad is larger than is indicated by the total value of Canadian direct investments abroad which reflects only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

Total direct investments abroad of Canadian companies are frequently more significant for the Canadian balance of payments than the Canadian equity. For example, it is the total capital movements and the total income transfers arising from these investments that are relevant. Effect on the balance of payments is an important criterion for inclusion of investments abroad of Canadian companies.

There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian investment abroad (and Canadian liabilities correspondingly reduced) because their international transactions are of no real relevance to the Canadian balance of payments. The group includes Canadian investment and holding companies wholly-owned abroad whose assets are also wholly situated abroad, the foreign ownership in some Canadian companies operating only abroad in which beneficial Canadian ownership is minor, and some subsidiaries abroad of operating companies wholly-owned abroad if the operations abroad are not directly related to the Canadian functions.

The investments outside of Canada referred to in the preceding paragraph amount to about $3 billion and are quite apart from the substantial assets of nearly $6 billion held abroad by Canadian banks and insurance companies in respect of their liabilities to non-residents. Taking into account all types, the total investment abroad of Canadian corporations and institutions held beneficially for non-residents fell not far short of $10 billion at the end of 1961.

[9] For a description of the statistical technique followed to derive estimates of foreign investment IN CANADA, see *Canada's International Investment Position 1926-1954*, page 67.

STATEMENT 28. Non-Resident Equity and Control of Canadian Direct Investment Abroad, Selected Year Ends 1954-61

Item	1954		1958		1959		1960		1961	
	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity										
United States residents	484	30	778	36	835	36	947	38	995	38
United Kingdom residents	76	5	79	4	85	4	86	3	88	3
Other non-residents	35	2	69	3	72	3	91	4	99	4
Sub-totals, non-residents	**595**	**37**	**926**	**43**	**992**	**43**	**1,124**	**45**	**1,182**	**45**
Canadian residents	1,024	63	1,223	57	1,303	57	1,357	55	1,437	55
Totals	**1,619**	**100**	**2,149**	**100**	**2,295**	**100**	**2,481**	**100**	**2,619**	**100**
Control										
United States controlled Canadian companies	425	26	798	37	847	37	967	39	957	36
Other foreign controlled Canadian companies	12	1	23	1	31	1	74	3	97	4
Sub-totals, foreign control	**437**	**27**	**821**	**38**	**878**	**38**	**1,041**	**42**	**1,054**	**40**
Canadian controlled companies and resident Canadian individuals	1,182	73	1,328	62	1,417	62	1,440	58	1,565	60
Totals	**1,619**	**100**	**2,149**	**100**	**2,295**	**100**	**2,481**	**100**	**2,619**	**100**

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

Canadian Portfolio Investment in Stocks of United States Corporations

In the last few years there has been developing a sharp increase in Canadian interest in stocks of United States and European companies. This section presents new data on Canadian portfolio investments in United States equities.

Statement 29 presents estimates of the book values of Canadian holdings of United States stocks at selected year ends from 1939 to 1961, together with some related series for the years from 1955. Statement 30 provides detail for the end of 1960 of the industrial and size distributions, by book and market values, of holdings by all Canadian residents. A supplementary analysis has revealed that about 80 per cent of the book value of Canadian portfolio investment in United States stocks at the end of 1960 was channelled into enterprises having branches, subsidiaries or affiliates in Canada.

STATEMENT 29. Canadian Portfolio Holdings of United States Corporation Stocks

Book Values at Selected Year Ends 1955[1]-61 and Related Data

Year end	Book value	Transactions			Received through exchange offers	Reclassifications, etc.[2]	Other[3] factors	Net dividends received
		Outstanding issues	New issues	Retirements				
	millions of dollars							
1955	539	– 26	4	– 2	7	2	64	26
1956	569	– 5	4	–	5	–	26	27
1957	593	– 47	8	–	4	2	57	28
1958	659	– 10	4	–	2	38	32	29
1959	734	24	7	– 1	6	–	39	32
1960	827	2	7	– 2	3	–	83	34
1961	938	6	6	–	8	– 6	97	39

[1] Year end book values in millions of dollars for 1939 and 1945 were 380 and 317; and for the period 1951 to 1954 were 289, 450, 469 and 490.
[2] Includes minority ownership in companies previously controlled by residents of Canada.
[3] Includes earnings ploughed back and variations due to exchange rate and market fluctuations.

Canadian holdings of United States stocks were built up over a long period and for diverse reasons. Before the growth of the Canadian capital market greater opportunities for investment in some types of securities existed in capital markets abroad, particularly in periods of abnormal investment or speculative activity such as occurred in the twenties. Over the years some United States securities have been regarded as the most satisfactory vehicle for participation in particular Canadian industries; holdings have also been acquired under mergers in exchange for interests in Canadian concerns, and under stock option and employee stock purchase plans extended to staffs of Canadian subsidiaries. Inheritances from relatives abroad have led to ownership by Canadians of a greater variety of foreign securities than might normally have been bought by them. Still further ownership has originated in the immigration to Canada of persons of means.

Many holdings by Canadians were acquired in the twenties when interest in the New York Stock Exchange was high. With the collapse of the New York stock market in 1929 there was a contraction in Canadian holdings and the trend in the thirties was generally downward. In the case of United States securities a less clear-cut trend was evident in the period of exchange control from the outbreak of World War II to the end of 1951. During this period there were restrictions on the export of capital from Canada and Canadians tended, on balance, to liquidate holdings. But at the same time the book value of Canadian holdings rose substantially as a result of the high earnings of United States companies in the period and of their tendency to plough back some part. There were also times when Canadians increased holdings through permitted switchings of securities.

During the fifties when there was a very high level of investment activity in Canada, the tendency to liquidate holdings of United States stocks continued, although the book value of holdings rose under the influence of retained earnings. Another likely factor in this process was the special tax credit available from 1948 to Canadian residents on dividends from taxable Canadian corporations.

STATEMENT 30. Canadian Portfolio Holdings of United States Corporation Stocks, Industrial and Size Distribution, End of 1960

Industry	Number	Book value	Market value	Size of total Canadian holdings by book value	Number	Book value	Market value
		millions of U.S. dollars				millions of U.S. dollars	
Pulp and paper	10	77	229	Over $10 million	12	267	498
Automobiles	5	55	90	Between $5-$10 million	21	150	298
Petroleum	39	147	191	Between 3- 5 "	28	100	158
Industrials n.i.e.	271	316	676	Between 2- 3 "	34	80	132
Transportation	48	72	26	Between 1- 2 "	71	99	167
Utilities	53	95	169	$1 million and under	315	109	205
Merchandising	30	16	24	Holdings n.i.e. (say)	...	25	45
Financial	25	27	53	**Totals**	**481+**	**830**	**1,503**
Holdings n.i.e. (say)	...	25	45				
Totals	**481+**	**830**	**1,503**	Canadian dollar equivalent	481+	827	1,498

The long period of repatriation of Canadian investments in United States stocks came to an end in 1959 and since then Canadians have added significantly to their holdings through net purchases. Contributing to this development have been the emergence of new investment media specifically designed to facilitate Canadian investment in foreign securities, and diversification into foreign investment by some media previously directed largely to Canadian issues.

About the figures –

CANADIAN PORTFOLIO INVESTMENT IN STOCKS OF UNITED STATES CORPORATIONS

Data covering Canadian portfolio investments in United States stocks are obtained by surveys carried out at irregular intervals. Estimates of the value of holdings for other year-ends are projected on the basis of reported transactions and estimates of the effects of retained earnings, exchange rate variations and other factors.

The most detailed information available on Canadian holdings of foreign securities relates to 1939 when an analysis was made of the declarations of Canadian holdings required under the Foreign Exchange Control Order. At that time Canadian portfolio investments in United States stocks had a book value of $380 million. These totals comprised a great variety of United States stocks, although holdings for a relatively small number of issues of prominent United States corporations constituted a large part of the total. About 70 per cent of the total of $380 million of United States stocks held at that time was made up of industrial and commercial issues and 15 per cent was in public utility issues other than railroads. The remainder was distributed in smaller amounts among railroads, mines, and financial and other companies.

A survey of Canadian holdings of stocks of about 115 United States companies was carried out in 1953-1954, and was the basis of a new estimate of $450 million for holdings of United States stocks in 1952. This survey concentrated on stock issues which were held by Canadians in substantial amounts in 1939. It showed that changes in holdings of individual issues varied greatly in both direction and rate. Among issues showing reduced holdings were railroads and public utilities in which the market interest had been less than in the case of the market leaders which were featured in the group of stocks where Canadian holdings had risen.

A new survey of holdings was carried out in 1961-1962. Within this period about 500 United States corporations were requested to supply figures of the number of their shares held by residents of Canada. This list included the companies surveyed previously, other United States companies whose stocks are interlisted on Canadian and United States stock exchanges, companies in which Canadians were known to have acquired blocks of stocks through takeover offers, and a selection of other important United States companies from FORTUNE'S lists of the 500 largest United States industrial corporations and the 50 largest banks, merchandising, transportation, life insurance and utility companies. The response to the latest survey was well over 90 per cent. The accompanying statements provide detail of the new estimate of $827 million established for the end of 1960.

This figure reflects an increase of $337 million in the book value of holdings from $490 million at the end of 1954, some $50 million higher than the projected change. In the six-year period Canadians sold on balance about $62 million of holdings (at market values). They acquired some $34 million of new issues, and about $5 million of existing holdings were retired. These transactions accordingly reflected a net disposal of holdings (on a transactions value basis) of $33 million. Some $27 million of United States stocks was acquired by residents under offers in exchange for Canadian investments, transactions which are not recorded in the capital account of the balance of payments. A further addition of about $42 million was made to Canadian portfolio holdings of United States stock as the result of shifts in the position of Canadian investors to a minority role in some corporations which had previously been controlled by Canadians and shown as direct investments. All the foregoing factors together would

account for an increase in Canadian holdings of about $36 million, or perhaps $45 million on a book value basis. Allowance for variations in the exchange rate would add $12 million to the Canadian dollar value of holdings, leaving an increase of about $275 million attributable to internally generated growth through the retention of earnings.

The estimate for the end of 1954 of $505 million, expressed in United States funds, was based on a total of $421 million covered through returns from the 115 United States corporations which participated, plus the provision of a further net amount estimated at $84 million to cover holdings in other corporations and adjustments arising from nominee holdings. By comparison the estimate for 1960 was based on a total of $488 million then invested in the group also covered for 1954, plus $317 million for 369 companies newly approached, and an allowance of $25 million for other holdings.

Holdings of United States stocks covered in these estimates are confined to those owned beneficially by residents of Canada. Substantial additional amounts are held by Canadian intermediaries for the benefit of non-residents of Canada.

The book values used in the construction of the estimates are derived from the financial statements of the companies concerned. They take account of the paid-in capital, and earned (appropriated or unappropriated), appraisal or similar capital surpluses, less any accumulated deficit, on the basis of the consolidated balance sheet. They bear no relationship to the cost or carrying value which might be recorded by the investor. The market values are based upon the reported average price for the last day of trading in 1960. The resulting figures have, in each case, been converted to Canadian dollar equivalents at the appropriate exchange rate.

The benchmark estimates are important, not only for the new detail which they reveal in themselves, but also as the basis for future estimates of income receipts from these holdings, capital flows arising from offerings to shareholders, retirements, etc. It will be noted that they are made possible through the voluntary co-operation of a large number of United States corporations whose assistance is gratefully acknowledged.

Foreign Ownership and Control[10] of Canadian Industry

The estimates appearing in Tables XII to XVI and in the statements in this section bring forward to the end of 1961 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce.[11] In the two years for which data have become available, there has been a growth of $4.6 billion or more than 10 per cent in the estimated total capital employed in the selected areas of Canadian industry for which measurements have been possible, e.g. manufacturing, petroleum and natural gas, mining and smelting, railways, other utilities, merchandising and construction. Non-resident owned capital financed $1.7 billion of the increase, and this was also the amount of the increase attributable to externally controlled enterprises. These amounts were somewhat smaller than in the previous two-year period reviewed in the last report but they represented larger proportions of the growth.

Taken as a group, the proportion of these industries owned by non-residents remained at 34 per cent, unchanged since 1957. The share of United States investors which had been 26 per cent since 1956 rose to 27 per cent in 1960. Foreign ownership of manufacturing has risen in the years 1960 and 1961 from 51 per cent to 54 per cent, while in mining and smelting the non-resident owned proportions have risen from 58 per cent to 62 per cent, with some very large increases reflecting the development of iron ore properties and ancillary facilities. Non-resident ownership in the petroleum and natural gas industry fell from 62 per cent to 60 per cent, with Canadian ownership playing a bigger part in the distribution and marketing of natural gas than in petroleum. The declining role of foreign capital in railways, generally characteristic of the period since the beginning of World War II, continued, and is reflected in a reduction of the non-resident-owned proportion by two percentage points to 25 per cent. There was also a small reduction to 13 per cent in the non-resident owned proportion of utilities other than railroads.

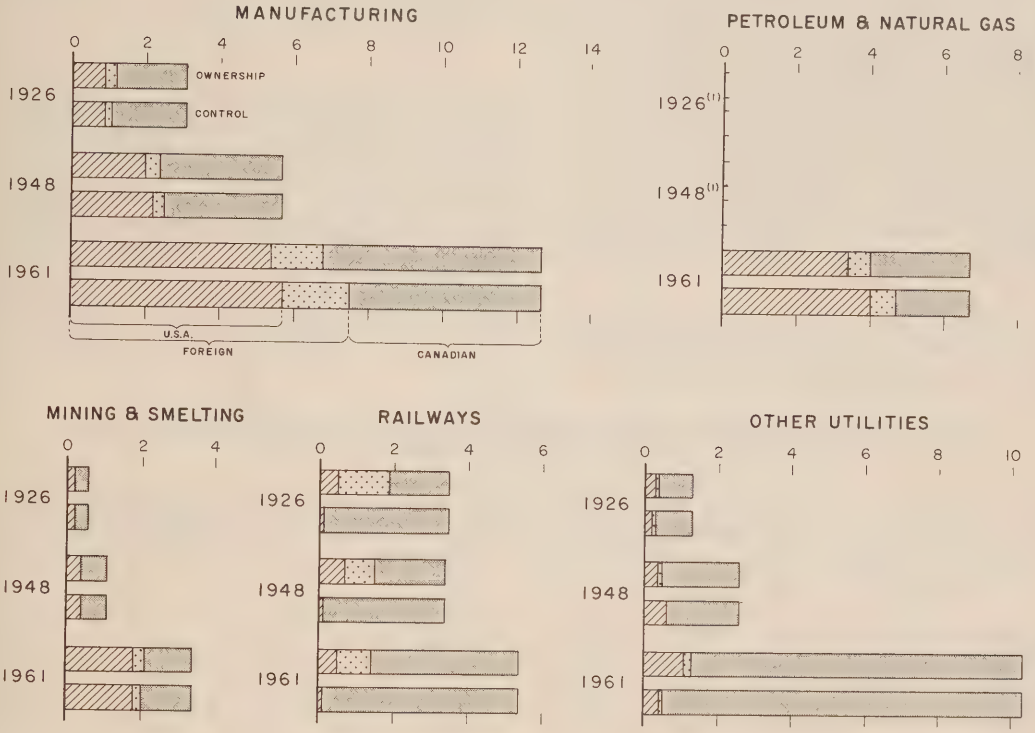
Similar tendencies are evident in series covering foreign control of these sectors. In the whole group of industries for which estimates are possible, the foreign controlled share, which had been 32 per cent since 1957, edged up by one percentage point in 1960, but with the United States proportion unchanged since 1958 at 26 per cent. In manufacturing non-resident control rose in the two-year period from 57 per cent to 59 per cent, but control of the petroleum and natural gas industry fell from 73 per cent to 69 per cent for the reason indicated above. The foreign controlled proportion of mining and smelting declined in the two years from 61 per cent to 59 per cent. This change was in contrast to the increase of four percentage points in foreign ownership in this area. While there was a substantial growth in new projects owned and controlled by non-residents, the control of some enterprises in which there had been significant minority Canadian investment shifted from foreign to Canadian interests. Foreign control of the other sectors for which ownership ratios have been given above remained unchanged.

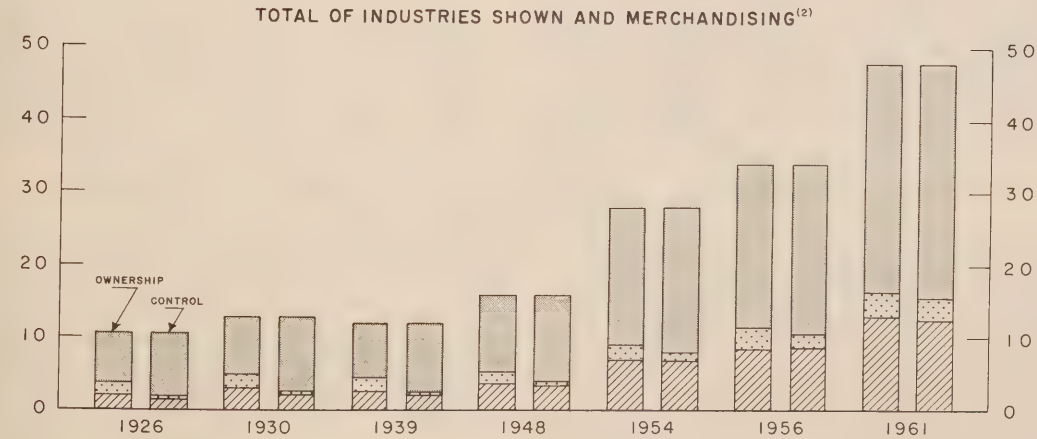
[10] The term "control" as used throughout this report relates to the aggregate investments in Canada in companies whose principal owners are non-residents. Most instances are subsidiaries or branches of business enterprises located outside Canada. The essential characteristic of the group of companies is a relationship implying potential control. No attempt is made in classifying companies to measure the actual exercise of control in practice. A detailed description of the principles followed in classifying companies in the direct investment group appears in the note "About the figures—Foreign Ownership and Control".

[11] Changes in industrial classifications in certain series used in the construction of the estimates appear to have given rise to some discontinuities for which adjustments have been made wherever possible. Some of the remaining changes may reflect those in the statistical source material. (For a technical note on the statistics see *The Canadian Balance of International Payments, 1960 and International Investment Position*, DBS Catalogue No. 67-2011, pp. 62-63).

OWNERSHIP AND CONTROL OF SELECTED CANADIAN INDUSTRIES

BILLIONS OF DOLLARS





(1) Data not available separately until 1954 (refining previously included with manufacturing; exploration and development with mining and smelting; transportation with other utilities; marketing and distribution with merchandising). Aggregate book value estimates 1930–$0.3 billion; 1945–$0.4 billion; 1954–$2.5 billion.

(2) Time intervals vary. Years selected on the basis of availability and growth phases.

In longer perspective, foreign ownership of Canadian manufacturing has increased gradually from 38 per cent in 1926 to 54 per cent in 1961 and control has expanded from 35 per cent to 59 per cent. Foreign ownership of mining and smelting has also reflected an almost uninterrupted growth from 37 per cent in 1926 to 62 per cent in 1961 and control has risen from 38 per cent to 59 per cent, which however was somewhat lower than in 1959. Apart from these industries there has developed a substantial petroleum and natural gas industry which in 1961 was 60 per cent foreign owned and 69 per cent foreign controlled. Both foreign ownership and control which reached peaks in 1956 have been declining since, with the expansion of natural gas enterprises largely owned and controlled by residents. On the other hand foreign ownership and control have both declined in railways and in other utilities.

Since 1926 United States ownership has risen from 19 per cent to 27 per cent of the industries covered in these comparisons, while ownership by other non-residents has fallen relatively from 18 per cent to 7 per cent. United States control of the group has risen from 15 to 26 per cent, and control by residents of other countries from 2 per cent to 7 per cent. The marked disparity between the ownership and control ratios reflects inter alia the substantial repatriation of railway and other utility investments from the United Kingdom during the war.

Estimates of book values, upon which these ratios are based, are found in Table XVI, and a summary of the changes in the seven years ending 1961, the full period for which comparable detail is available, is given in Statement 31. These reveal that much the major parts of the growth of manufacturing, petroleum and natural gas, and mining and smelting are represented by increased ownership and control by non-residents of each of these industrial sectors. At the same time the predominant part of increased investment in railways, other utilities, and merchandising and construction is represented by domestic capital.

STATEMENT 31. Ownership and Control of Selected Canadian Industries, Net Change in Book Values, Seven Years Ending 1961

Item	Manufacturing	Petroleum and natural gas	Mining and smelting	Railways	Other utilities	Merchandising and construction	Total
	billions of dollars						
Ownership							
United States	2.3	2.0	1.0	– 0.1	0.5	0.2	5.9
Other foreign	0.6	0.5	0.2	0.1	0.1	0.1	1.5
Sub-totals	**2.9**	**2.5**	**1.1**	**– 0.1**	**0.6**	**0.3**	**7.4**
Canadian	1.4	1.7	0.4	1.3	4.4	3.3	12.6
Totals	**4.4**	**4.2**	**1.5**	**1.2**	**5.0**	**3.7**	**20.0**
Control							
United States	2.2	2.4	0.8	—	—	0.2	5.7
Other foreign	1.0	0.6	0.2	—	0.1	0.3	2.1
Sub-totals	**3.2**	**2.9**	**1.0**	**—**	**0.1**	**0.5**	**7.8**
Canadian	1.2	1.3	0.5	1.2	4.9	3.2	12.3
Totals	**4.4**	**4.2**	**1.5**	**1.2**	**5.0**	**3.7**	**20.0**

Note: As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

More detailed data on the ownership and control of Canadian industry appear in Table XV and in Statement 32, covering most of the commodity-producing industries other than agriculture. In the manufacturing sector ten identified industrial groupings show the marked variation in the degree of non-resident ownership and control. In six of these subgroups non-resident ownership represents more than half of the total investment, and ranges between roughly 90 per cent for rubber and automobiles and parts and 25 per cent for beverages and textiles. Over the seven-year period covered in Statement 32, non-resident ownership has grown faster than domestic ownership in eight of the groups, rubber, textiles, agricultural machinery, automobiles and parts, transportation equipment, iron and steel mills, and electrical apparatus, and chemicals. It has fallen slightly in beverages and has remained relatively stable in pulp and paper. Non-resident ownership advanced 24 percentage points between the end of 1954 and of 1961 in transportation equipment and between 14 and 10 percentage points in iron and steel mills, automobiles and parts, rubber, and agricultural machinery enterprises.

Investment by non-residents is also important in the areas of manufacturing for which separate estimates are not available. This group accounts for well over 40 per cent of the value of manufacturing enterprises. Non-resident ownership represents about 55 per cent and has grown faster than for manufacturing as a whole.

STATEMENT 32. Ownership and Control of Selected Canadian Industries, Selected Year Ends 1954 - 61

Enterprise classification	Foreign ownership				Foreign control			
	1954	1957	1959	1961	1954	1957	1959	1961
	per cent							
Manufacturing:								
Beverages	29	28	26	26	20	13	13	14
Rubber	78	84	86	88	93	97	98	99
Textiles	21	21	22	24	18	19	23	23
Pulp and paper	51	53	52	51	56	55	49	46
Agricultural machinery[1]	37	37	43	47	35	38	55	54
Automobiles and parts	78	78	89	90	95	95	97	97
Transportation equipment n.o.p.	34	47	58	58	36	67	73	71
Primary iron and steel	16	24	25	..	6	26	23	..
Iron and steel mills	..	..	..	30	..	..	..	25
Electrical apparatus	70	70	74	73	77	77	81	78
Chemicals	64	62	61	65	75	75	77	79
Other manufacturing	46	50	52	55	52	57	61	66
Sub-totals (excluding petroleum refining)	**47**	**50**	**51**	**54**	**51**	**56**	**57**	**59**
Petroleum and natural gas	60	63	62	60	69	76	73	69
Mining:								
Smelting and refining of non-ferrous native ores	59	54	56	55	55	66	66	55
Other mining	55	56	59	64	49	59	59	60
Sub-totals	**56**	**56**	**58**	**62**	**51**	**61**	**61**	**59**
Totals of above industries	**51**	**54**	**55**	**56**	**55**	**61**	**62**	**62**

[1] Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

This large group of companies classified as "other manufacturing" shown in line 11 of Table XV is quite heterogeneous. The group is made up of industrial subgroups which cannot be shown separately either because of difficulties of arriving at the total investment (and consequently the Canadian investment) using a variety of secondary sources in addition the records of international investments, or due to the need to avoid disclosing investments in individual enterprises. The value of the estimated total investment and the Canadian investment shown are therefore subject to some reservations.

The heterogeneous nature of the group is indicated by Statement 33 showing the industrial classification of the foreign investment in companies according to broad groups presented in Table IX. It will be observed that the group "other manufacturing" includes primary export industries such as the aluminum and lumber industries and a great variety of secondary industries mainly producing for the Canadian market, such as food, tobacco, building and construction materials and many kinds of machinery and metal processing.

While foreign ownership of the petroleum and natural gas industry stood at 60 per cent at the beginning and end of the seven-year period, it was higher in intervening years, such as 1957 and 1959. As has already been noted, the more recent growth of the natural gas industry in which Canadian capital plays an important part has contributed to lowered foreign ownership. Non-resident ownership of smelting and refining of non-ferrous native ores declined from 59 per cent to 55 per cent over the seven year period, but non-resident ownership of mining as a whole has increased on account of the rise in other mining.

STATEMENT 33. Analysis of Foreign Investments in "Other Manufacturing", 1961 (Shown in Line 11 of Table XV)

Industry classification	Owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Other vegetable products, including various foods and tobacco	296	105	24	425
Animal products, including meat, dairy and leather products	132	7	6	145
Other wood products, including saw and other wood processing mills, furniture, and printing	245	26	12	283
Other iron products, including non-agricultural machinery and metal fabricating	612	59	67	738
Other non-ferrous metal products, including aluminum and metal fabricating	589	145	15	749
Non-metallic minerals, including cement, glass, and other building materials and products	158	54	74	286
Miscellaneous	101	6	1	108
Other enterprises	282	50	16	348
Totals, other manufacturing	**2,415**	**452**	**215**	**3,082**

Corresponding figures measuring foreign control of Canadian industry indicate that over the seven years from 1954 to 1961 non-resident control has risen in all the subgroups of manufacturing, except two. It ranged in 1961 from 99 per cent and 97 per cent in the cases of rubber and of automobiles and parts, respectively, to 23 per cent in textiles and 14 per cent in beverages. In addition non-resident control of the "other manufacturing" category has risen to 66 per cent.

Foreign control of the petroleum and natural gas industry as a whole rose sharply in the early part of the period, to 76 per cent in 1957, but subsided by the end of 1961 to 69 per cent, which was the level of 1954. This decline in recent years was caused by the growth of the natural gas industry which tends to be more heavily financed and controlled in Canada. Foreign control of Canadian smelting and refining followed a similar pattern of increase and decline, and at 55 per cent at the end of 1961 was no higher than in 1954. On the other hand there has been a substantial growth of foreign control of other mining, and of mining as a whole.

Taking together the three main groups, manufacturing, petroleum and natural gas, and mining, as a whole, non-resident ownership has risen by 5 percentage points in the seven-year period to 56 per cent at the end of 1961. At the same time foreign control has risen by 7 percentage points to 62 per cent.

Structure of Investment and Ownership in Foreign Controlled Enterprises

Readers of the descriptive note "About the Figures—Foreign Ownership and Control" will be aware that direct investment in many foreign controlled enterprises falls short of the total value by reason of the participation of minority investors or lenders resident in either Canada or in third countries. Statement 34 shows the structure for United States controlled enterprises in Canada at the end of 1945, 1954 and 1960, together with corresponding data at the end of the last year for enterprises controlled in the United Kingdom and in other overseas countries.

STATEMENT 34. Structure of Investment and Ownership of Foreign Controlled Enterprises in Canada

Ownership of investments by residents of	United States controlled			United Kingdom controlled	Other foreign controlled	Total 1960
	1945	1954	1960	1960	1960	
	percentage					
Controlling country:						
Branches	9	14	10	6	6	9
Canadian corporations	71	64	69	52	65	66
Sub-totals	**80**	**78**	**79**	**58**	**71**	**75**
Canada:						
Debt	4	8	9	18	16	11
Equity	11	11	9	16	7	10
Sub-totals	**15**	**19**	**18**	**34**	**23**	**21**
Other countries	5	3	3	8	6	4
Totals	**100**	**100**	**100**	**100**	**100**	**100**

The figures show that investment from Canada or third countries tends to represent a smaller proportion of the total value in the case of enterprises controlled in the United States than in those controlled in other countries. They reveal some tendency for the extension of the branch form of organization which has been customary for the insurance business and which has been very prominent in the case of the extractive industries where it may hold tax advantages to United States investors.

While there has been a tendency for direct investment by residents of the United States to grow at a slightly smaller rate than the total investment in United States controlled enterprises, for the most part this reflects borrowing in Canada by subsidiaries through issues of bonds and debentures or other loans, rather than increased equity ownership by residents of Canada. The latter has not kept pace with the total growth, partly because the typical foreign controlled enterprise has not found it desirable or practicable to make stock publicly available, and partly because of successful competition by some non-resident investors for the minority stock which is available.

Statements 35 and 35 A provide the basic value data from which summary Statement 34 was produced, and also show the industrial detail. Changes in the value and structure of United States controlled enterprises in Canada over fifteen years since World War II are given in Statement 36 separately for the nine-year period ending in 1954 and the six-year period ending in 1960. Readers acquainted with the evolution of Canadian industrial structure and organization will find in the statements reflections of much of recent Canadian corporate history.

STATEMENT 35. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States Classification by Types of Business, Selected Year Ends 1945-60

Type of business	Total United States controlled investment in Canada	Ownership of investment by						
		Canadians			Non-residents excluding United States	United States residents		
		Debt	Equity	Total		Canadian corporations	Unincorporated branches	Total
	millions of dollars							
End of 1945								
Manufacturing:								
Vegetable products	151	1	10	11	—	138	2	140
Animal products	49	—	—	—	5	44	—	44
Textiles	31	1	2	3	—	24	4	28
Wood and paper products	331	4	10	14	1	313	3	316
Iron and products	292	—	19	19	1	245	27	272
Non-ferrous metals	307	16	32	48	56	200	3	203
Non-metallic minerals	41	—	2	2	—	37	2	39
Chemicals and allied products	152	—	17	17	17	108	10	118
Miscellaneous manufactures	31	—	—	—	—	31	—	31
Sub-totals (excluding petroleum refining)	**1,385**	**22**	**92**	**114**	**80**	**1,140**	**51**	**1,191**
Petroleum and natural gas	210	10	52	62	7	132	9	141
Other mining and smelting	316	—	61	61	40	214	1	215
Utilities (excluding pipelines)	552	70	116	186	8	334	24	358
Merchandising	154	—	7	7	—	143	4	147
Financial	204	2	3	5	1	41	157	198
Other enterprises	64	5	4	9	1	51	3	54
Totals	**2,885**	**109**	**335**	**444**	**137**	**2,055**	**249**	**2,304**
End of 1954								
Manufacturing:								
Vegetable products	303	9	17	26	—	274	3	277
Animal products	78	1	1	2	—	76	—	76
Textiles	51	3	1	4	—	47	—	47
Wood and paper products	777	97	36	133	2	638	4	642
Iron and products	677	4	65	69	2	544	62	606
Non-ferrous metals	889	117	103	220	125	539	5	544
Non-metallic minerals	105	8	11	19	4	79	3	82
Chemicals and allied products	351	42	18	60	—	266	25	291
Miscellaneous manufactures	79	1	1	2	—	76	1	77
Sub-totals (excluding petroleum refining)	**3,310**	**282**	**253**	**535**	**133**	**2,539**	**103**	**2,642**
Petroleum and natural gas	1,677	141	174	315	12	870	480	1,350
Other mining and smelting	918	13	187	200	68	491	159	650
Utilities (excluding pipelines)	477	56	117	173	6	258	40	298
Merchandising	372	3	20	23	1	307	41	348
Financial	538	131	6	137	2	215	184	399
Other enterprises	147	2	21	23	1	109	14	123
Totals	**7,439**	**628**	**778**	**1,406**	**223**	**4,789**	**1,021**	**5,810**
End of 1960								
Manufacturing:								
Vegetable products	528	12	28	40	—	482	6	488
Animal products	113	1	1	2	—	111	—	111
Textiles	85	11	2	13	—	72[1]	[1]	72
Wood and paper products	1,003	81	35	116	1	883	3	886
Iron and products	1,301	55	46	101	2	1,164	34	1,198
Non-ferrous metals	1,241	97	126	223	128	887	3	890
Non-metallic minerals	167	15	8	23	10	129	5	134
Chemicals and allied products	570	61	25	86	6	460	18	478
Miscellaneous manufactures	94	1	1	2	1	89[1]	2[1]	91
Sub-totals (excluding petroleum refining)	**5,102**	**334**	**272**	**606**	**148**	**4,277**	**71**	**4,348**
Petroleum and natural gas	3,857	392	504	896	76	2,227	658	2,885
Other mining and smelting	1,750	40	284	324	78	1,220	128	1,348
Utilities (excluding pipelines)	476	143	105	248	4	179	45	224
Merchandising	573	30	41	71	1	463	38	501
Financial	1,337	228	39	267	42	606	422	1,028
Other enterprises	270	37	17	54	1	196	19	215
Totals	**13,365**	**1,204**	**1,262**	**2,466**	**350**	**9,168**	**1,381**	**10,549**

[1] Adjusted to prevent disclosure.

STATEMENT 35 A. Canadian and Foreign Ownership of Investments in Canada Controlled in all Foreign Countries Classification by Types of Business, End of 1960

Type of business	Total foreign controlled investment in Canada	Ownership of investment by						
		Canadians			Non-residents excluding country of control	Residents of country of control		
		Debt	Equity	Total		Canadian corporations	Unincorporated branches	Total
	millions of dollars							
Controlled in United Kingdom								
Manufacturing:								
Vegetable products	251	42	75	117	10			124
Animal products	7	1	—	1	—			6
Textiles	51	—	1	1	5			45
Wood and paper products	315	37	104	141	36			138
Iron and products	299	22	78	100	14			185
Non-ferrous metals	139	51	3	54	20	detail		65
Non-metallic minerals	58	7	12	19	1			38
Chemicals and allied products	233	47	18	65	6	not		162
Miscellaneous manufactures	6	—	1	1	—			5
Sub-totals (excluding petroleum refining)	**1,359**	**207**	**292**	**499**	**92**	publishable		**768**
Petroleum and natural gas	291	65	8	73	10			208
Other mining and smelting	236	30	66	96	74			66
Utilities (excluding pipelines)	70	16	1	17	13			40
Merchandising	357	93	52	145	4			208
Financial	247	38	3	41	8			198
Other enterprises	79	23	5	28	4			47
Totals	**2,639**	**472**	**427**	**899**	**205**	**1,381**	**154**	**1,535**
Controlled in foreign countries other than United States and United Kingdom								
Manufacturing:								
Vegetable products	32	—	7	7	—			25
Animal products	5	—	—	—	—			5
Textiles	1	—	—	—	—			1
Wood and paper products	22	—	—	—	13			9
Iron and products	80	20	1	21	1			58
Non-ferrous metals	33	4	—	4	1	detail		28
Non-metallic minerals	149	49	19	68	13			68
Chemicals and allied products	43	5	6	11	1	not		31
Miscellaneous manufactures	1	—	—	—	—			1
Sub-totals (excluding petroleum refining)	**366**	**78**	**33**	**111**	**29**	publishable		**226**
Petroleum and natural gas	282	30	20	50	12			220
Other mining and smelting	37	—	6	6	6			25
Utilities (excluding pipelines)	31	1	3	4	6			21
Merchandising	54	4	1	5	1			48
Financial	320	63	10	73	9			238
Other enterprises	14	1	1	2	2			10
Totals	**1,104**	**177**	**74**	**251**	**65**	**724**	**64**	**788**
Controlled in all foreign countries								
Manufacturing:								
Vegetable products	811	54	110	164	10			637
Animal products	125	2	1	3	—	detail		122
Textiles	137	11	3	14	5			118
Wood and paper products	1,340	118	139	257	50	not		1,033
Iron and products	1,680	97	125	222	17			1,441
Non-ferrous metals	1,413	152	129	281	149	publishable		983
Non-metallic minerals	374	71	39	110	24			240
Chemicals and allied products	846	113	49	162	13			671
Miscellaneous manufactures	101	1	2	3	1			97
Sub-totals (excluding petroleum refining)	**6,827**	**619**	**597**	**1,216**	**269**	**5,249**	**93**	**5,342**
Petroleum and natural gas	4,430	487	532	1,019	98	2,653	660	3,313
Other mining and smelting	2,023	70	356	426	158	1,310	129	1,439
Utilities (excluding pipelines)	577	160	109	269	23	232	53	285
Merchandising	984	127	94	221	6	635	122	757
Financial	1,904	329	52	381	59	944	520	1,464
Other enterprises	363	61	23	84	7	250	22	272
Totals	**17,108**	**1,853**	**1,763**	**3,616**	**620**	**11,273**	**1,599**	**12,872**

STATEMENT 36. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States, Net Change in Book Values, Classification by Types of Business, Nine Years Ending 1954 and Six Years Ending 1960

Type of business	Period	Total United States controlled investment in Canada	Ownership of investment by						
			Canadians			Non-residents excluding United States	United States residents		
			Debt	Equity	Total		Canadian corporations	Unincorporated branches	Total
		millions of dollars							
Manufacturing:									
Vegetable products	1946-54	+ 152	+ 8	+ 7	+ 15	—	+ 136	+ 1	+ 137
	1955-60	+ 225	+ 3	+ 11	+ 14	—	+ 208	+ 3	+ 211
Animal products	1946-54	+ 29	+ 1	+ 1	+ 2	− 5	+ 32	—	+ 32
	1955-60	+ 35	—	—	—	—	+ 35	—	+ 35
Textiles	1946-54	+ 20	+ 2	− 1	+ 1	—	+ 23	− 4	+ 19
	1955-60	+ 34	+ 8	+ 1	+ 9	—	+ 25[1]	—[1]	+ 25
Wood and paper products	1946-54	+ 446	+ 93	+ 26	+ 119	+ 1	+ 325	+ 1	+ 326
	1955-60	+ 226	− 16	− 1	− 17	− 1	+ 245	− 1	+ 244
Iron and products	1946-54	+ 385	+ 4	+ 46	+ 50	+ 1	+ 299	+ 35	+ 334
	1955-60	+ 624	+ 51	− 19	+ 32	—	+ 620	− 28	+ 592
Non-ferrous metals	1946-54	+ 582	+ 101	+ 71	+ 172	+ 69	+ 339	+ 2	+ 341
	1955-60	+ 352	− 20	+ 23	+ 3	+ 3	+ 348	− 2	+ 346
Non-metallic minerals	1946-54	+ 64	+ 8	+ 9	+ 17	+ 4	+ 42	+ 1	+ 43
	1955-60	+ 62	+ 7	− 3	+ 4	+ 6	+ 50	+ 2	+ 52
Chemicals and allied products	1946-54	+ 199	+ 42	+ 1	+ 43	− 17	+ 158	+ 15	+ 173
	1955-60	+ 219	+ 19	+ 7	+ 26	+ 6	+ 194	− 7	+ 187
Miscellaneous manufactures	1946-54	+ 48	+ 1	+ 1	+ 2	—	+ 45	+ 1	+ 46
	1955-60	+ 15	—	—	—	+ 1	+ 13[1]	+ 1[1]	+ 14
Sub-totals (excluding petroleum refining)	1946-54	+ 1,925	+ 260	+ 161	+ 421	+ 53	+ 1,399	+ 52	+ 1,451
	1955-60	+ 1,792	+ 52	+ 19	+ 71	+ 15	+ 1,738	− 32	+ 1,706
Petroleum and natural gas	1946-54	+ 1,467	+ 131	+ 122	+ 253	+ 5	+ 738	+ 471	+ 1,209
	1955-60	+ 2,180	+ 251	+ 330	+ 581	+ 64	+ 1,357	+ 178	+ 1,535
Other mining and smelting	1946-54	+ 602	+ 13	+ 126	+ 139	+ 28	+ 277	+ 158	+ 435
	1955-60	+ 832	+ 27	+ 97	+ 124	+ 10	+ 729	− 31	+ 698
Utilities (excluding pipelines)	1946-54	− 75	− 14	+ 1	− 13	− 2	− 76	+ 16	− 60
	1955-60	− 1	+ 87	− 12	+ 75	− 2	− 79	+ 5	− 74
Merchandising	1946-54	+ 218	+ 3	+ 13	+ 16	+ 1	+ 164	+ 37	+ 201
	1955-60	+ 201	+ 27	+ 21	+ 48	—	+ 156	− 3	+ 153
Financial	1946-54	+ 334	+ 129	+ 3	+ 132	+ 1	+ 174	+ 27	+ 201
	1955-60	+ 799	+ 97	+ 33	+ 130	+ 40	+ 391	+ 238	+ 629
Other enterprises	1946-54	+ 83	− 3	+ 17	+ 14	—	+ 58	+ 11	+ 69
	1955-60	+ 123	+ 35	− 4	+ 31	—	+ 87	+ 5	+ 92
Totals	**1946-54**	**+ 4,554**	**+ 519**	**+ 443**	**+ 962**	**+ 86**	**+ 2,734**	**+ 772**	**+ 3,506**
	1955-60	**+ 5,926**	**+ 576**	**+ 484**	**+ 1,060**	**+ 127**	**+ 4,379**	**+ 360**	**+ 4,739**

[1] Adjusted to prevent disclosure.

Statements 37 and 38 provide detail of Canadian ownership in the equity of foreign controlled enterprises in Canada. The first statement gives the values, and breaks the data into three types of enterprises the book value of whose investment in Canada aggregates $25 million or more, as well as smaller enterprises, while the second expresses Canadian ownership as percentages of the total.

STATEMENT 37. Canadian Equity Investment in Foreign Controlled Enterprises in Canada, End of 1960

Item	Number of enterprises[1]	Book value of investment in Canada		Equity investment			Canadian equity ownership		
		Total	Direct[2]	Preferred stock	Common stock[2 3]	Total	Preferred stock	Common stock[4]	Total
		millions of dollars							
United States controlled									
1. Aggregate investment in Canada $25 million or more:									
Branches and wholly-owned subsidiaries	52	3,713	3,482	12	2,496	2,508	—	—	—
Partly owned subsidiaries	28	3,684	2,453	170	2,333	2,503	138	472	610
Other companies	10	1,554	854	86	799	885	81	286	367
Sub-totals	**90**	**8,951**	**6,789**	**268**	**5,628**	**5,896**	**219**	**758**	**977**
2. Smaller enterprises	3,596	4,414	3,760	..	..	3,407	..	..	285
Totals	**3,686**	**13,365**	**10,549**	..	..	**9,303**	..	..	**1,262**
Other foreign controlled									
1. Aggregate investment in Canada $25 million or more:									
Branches and wholly-owned subsidiaries	5	266	207	46	151	197	—	—	—
Partly owned subsidiaries	12	1,434	783	126	739	865	62	163	225
Other companies	5	561	183	138	176	314	110	69	179
Sub-totals	**22**	**2,261**	**1,173**	**310**	**1,066**	**1,376**	**172**	**232**	**404**
2. Smaller enterprises	1,132	1,482	1,150	..	..	1,046	..	..	97
Totals	**1,154**	**3,743**	**2,323**	..	..	**2,422**	..	..	**501**
Total foreign controlled									
1. Aggregate investment in Canada $25 million or more:									
Branches and wholly-owned subsidiaries	56	3,979	3,689	58	2,647	2,705	—	—	—
Partly owned subsidiaries	40	5,118	3,236	296	3,072	3,368	200	635	835
Other companies	15	2,115	1,037	224	975	1,199	191	355	546
Sub-totals	**111**	**11,212**	**7,962**	**578**	**6,694**	**7,272**	**391**	**990**	**1,381**
2. Smaller enterprises	4,728	5,896	4,910	..	..	4,453	..	..	382
Totals	**4,839**	**17,108**	**12,872**	..	..	**11,725**	..	..	**1,763**

[1] Reduced where necessary to eliminate the numerical effect of allocating international corporations to more than one area.

[2] Investment in all long-term forms by residents of the country in which the enterprise is controlled.

[3] Includes also the net assets in Canada of branches of companies incorporated outside Canada.

[4] The value of investments outside Canada belonging to the enterprise has been deducted pro rata to ownership from the book value of common stock.

In the case of the large United States controlled enterprises more than 42 per cent of the recorded equity investment is in wholly-owned subsidiaries and branches. Including the other large enterprises, Canadian ownership covers about 82 per cent of the preferred stock and about 13 per cent of the common, or about 17 per cent of the total equity.

Wholly-owned subsidiaries and branches represent under 15 per cent of the recorded equity investment in large enterprises controlled in other countries. Canadian ownership amounts to 55 per cent of the preferred and 22 per cent of the common equity, or 29 per cent overall, in the total group of large enterprises controlled overseas.

STATEMENT 38. Canadian Ownership of Equity Investment[1] in Foreign Controlled Enterprises in Canada as a Percentage of Total, End of 1960

Item	Preferred stock of enterprises controlled in			Common stock[2] of enterprises controlled in			Total equity of enterprises controlled in		
	United States	Other countries	Total	United States	Other countries	Total	United States	Other countries	Total
	per cent								
1. Aggregate investment in Canada $25 million or more:									
Branches and wholly-owned subsidiaries	—	—	—	—	—	—	—	—	—
Partly owned subsidiaries	81	49	68	20	22	21	24	26	25
Other companies	94	80	85	36	39	36	41	57	46
Sub-totals	**82**	**55**	**68**	**13**	**22**	**15**	**17**	**29**	**19**
2. Smaller enterprises under $25 million	..	..	..	..	..	..	8	9	9
Totals	..	..	..	..	..	..	**14**	**21**	**15**

[1] Residents of Canada have some further beneficial interest through portfolio investments in the equity of foreign parent companies.
[2] Includes also the net assets in Canada of branches of companies incorporated outside Canada.

A variety of nistorical, geographical and institutional factors have undoubtedly contributed to the differences in the structure of ownership between the United States and the other non-resident controlled large enterprises.

Canadian ownership accounts for about 8 per cent of equity investment in smaller enterprises controlled in the United States and about 9 per cent of equity investment in smaller enterprises controlled elsewhere outside Canada.

Size Distribution of Foreign Controlled Enterprises

Throughout the industrial world the tendency for the size of business enterprises to grow has been particularly marked in recent decades. To an important degree the extension of non-resident controlled enterprises in Canada has followed this world-wide trend to larger-scale operations.

Foreign control of the largest enterprises in some major areas of economic activity has increased in recent years. Statement 39 shows absolute estimates and percentage breakdown of the total investment for the years 1953 and 1960 for manufacturing, petroleum and natural gas, and mining and smelting in enterprises having a value of $25 million or more (considered as a group). In 1960, some 36 per cent by number of the large enterprises in these fields was controlled in Canada, compared with 46 per cent in 1953; the United States, the United Kingdom and other foreign countries all increased their share of control. In terms of the total amount of investment involved, Canadian control dropped from 37 per cent to 30 per cent. The share of large investment controlled in the United States declined from 59 per cent to 56 per cent, while proportions controlled in the United Kingdom and in other foreign countries rose respectively from 4 per cent

to 11 per cent and from nothing to 3 per cent in 1960. United States investment in the group of these large enterprises controlled in the United States represented 78 per cent of the value in 1960. In the case of the enterprises controlled in the United Kingdom and in other overseas countries the direct investment by residents of these areas represented 49 per cent and 68 per cent respectively.

STATEMENT 39. Control of Total Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada with Aggregate Investment of $25 Million or more End of 1953 and 1960

Controlled in	Enterprises		Aggregate investment in Canada		Enterprises		Aggregate investment in Canada	
	1953	1960	1953	1960	1953	1960	1953	1960
	number		millions of dollars		per cent			
United States	42	74	3,339	7,530	49	52	59	56
United Kingdom	4	14	243	1,395	5	10	4	11
Other foreign countries	—	6	—	447	—	4	—	3
Sub-totals, outside Canada	**46**	**92**[1]	**3,582**	**9,372**	**54**	**64**[1]	**63**	**70**
Canada	40	51	2,136	4,087	46	36	37	30
Totals, all private enterprises	**86**	**143**	**5,718**	**13,459**	**100**	**100**	**100**	**100**
Government enterprises	..	1	..	408				

[1] Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

In manufacturing industries (excluding petroleum) the Canadian share of control of the large firms increased a little between 1946 and 1953 and then declined more sharply between 1953 and 1960. The data are shown for 1946, 1953 and 1960 in Statement 40. Some 43 per cent of investment in the large enterprises was controlled in Canada in 1946, 46 per cent in 1953, and 39 per cent in 1960. The share of the United Kingdom fell between 1946 and 1953 but rose even more sharply between 1953 and 1960. By 1960, other foreign countries controlled 3 per cent of investment in the large enterprises, having controlled none in the two earlier years. The United States share of control rose from 45 per cent of the total in 1946 to 47 per cent in 1953, before receding to 44 per cent in 1960. United States ownership accounted for 81 per cent of book value of large manufacturing enterprises controlled in that country. For the large enterprises controlled in the United Kingdom and in other overseas countries the corresponding ownership ratios were 48 per cent and 52 per cent respectively.

Statement 40 also shows the data on area of control for the large enterprises in petroleum and natural gas for the years 1953 and 1960. During this period the Canadian share of control remained stable at 19 per cent, due largely to the development of natural gas transmission and marketing systems, controlled domestically; while overseas countries had acquired control of a significant proportion of 11 per cent by 1960, having had none in 1953. The United States share accordingly fell from 81 per cent to 70 per cent of the total, but a part of these changes are due to a revision in the statistical treatment of some international concerns. United States investment in the large United States controlled enterprises in petroleum and natural gas represented 74 per cent of their book value, roughly corresponding to the ratio in the case of enterprises controlled in overseas countries.

Between 1953 and 1960 the Canadian share of control in the large enterprises in the mining and smelting industry fell significantly, as is shown in Statement 40. Overseas countries had acquired control of 9 per cent of major investment in the industry by 1960, having had none in 1953. As a result of these changes, the share of the United States dropped from 68 per cent to 64 per cent. United States investment accounted for 79 per cent of the book value of large United States controlled mining enterprises. The corresponding direct investment from overseas in large mining and smelting enterprises controlled overseas was 24 per cent.

STATEMENT 40. Control of Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada with Aggregate Investment of $25 Million or more Selected Year Ends 1946-60

Controlled in	Manufacturing			Petroleum and natural gas		Mining and smelting	
	1946	1953	1960	1953	1960	1953	1960
	Millions of dollars						
United States	464	1,634	2,969	1,029	3,248	676	1,313
United Kingdom	118	243	960				
Other foreign countries	—	—	192	—	510	—	180
Sub-totals, outside Canada	**582**	**1,877**	**4,121**	**1,029**	**3,758**	**676**	**1,493**
Canada	436	1,572	2,630	245	892	319	565
Totals, all private enterprises	**1,018**	**3,449**	**6,751**	**1,274**	**4,650**	**995**	**2,058**
Government enterprises	..	..	229	..	128	..	51
	Per cent						
United States	45	47	44	81	70	68	64
United Kingdom	12	7	14				
Other foreign countries	—	—	3	—	11	—	9
Sub-totals, outside Canada	**57**	**54**	**61**	**81**	**81**	**68**	**73**
Canada	43	46	39	19	19	32	27
Totals, all private enterprises	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Data which have been compiled covering the size distribution of United States controlled manufacturing enterprises in Canada at the end of 1946, 1953, and 1960 show increasing concentration in the larger manufacturing enterprises with a parallel movement in the United States owned investment in these enterprises. This is shown in Statement 41. It should be noted, of course, that some of the shifts of enterprises into higher size groups indicated in this and later statements reflect the rising cost of new and replacement investment in the period.

STATEMENT 41. United States Controlled Manufacturing Enterprises[1] in Canada, Classification by Size of Investment, Selected Year Ends 1946-60

Aggregate investment in Canada	Enterprises			Aggregate investment in Canada			United States ownership		
	1946	1953	1960	1946	1953	1960	1946	1953	1960
	Number			Millions of dollars					
More than $25 million	8	22	36	464	1,634	2,969	329	1,084	2,417
$10 to $25 million	22	29	43	362	401	654	331	370	563
1 " 10 "	118	251	394	340	749	1,190	331	699	1,120
Less than $1 million	742	855	1,039	300	315	289	272	294	248
Totals	**890**	**1,157**	**1,512**	**1,466**	**3,099**	**5,102**	**1,263**	**2,447**	**4,348**
	Per cent								
More than $25 million	1	2	2	32	53	58	26	44	55
$10 to $25 million	3	2	3	25	13	13	26	15	13
1 " 10 "	13	22	26	23	24	23	26	29	26
Less than $1 million	83	74	69	20	10	6	22	12	6
Totals	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1] Data exclude petroleum refiners shown elsewhere.

In 1946, 83 per cent of all United States controlled manufacturing enterprises involved investments of less than $1 million, but by 1960 the proportion had fallen to 69 per cent. Each of the larger size groups, $1 to $10 million, $10 to $25 million, and over $25 million investment, had grown in relative importance at the expense of the smaller enterprises. The enterprises in more than $25 million group constituted more than 2 per cent of the total number in 1960, compared with less than 1 per cent in 1946. Aggregate investment in the smallest group had fallen from 20 per cent of the total in 1946 to 6 per cent in 1960. The relative position of the $1 to $10 million group changed but little over the period. The proportion of investment of the $10 to $25 million group declined from 25 per cent in 1946 to 13 per cent in 1960. The proportion of aggregate investment in the largest enterprises—more than $25 million—had almost doubled, rising from 32 per cent in 1946 to 58 per cent in 1960.

United States ownership, or direct investment, in United States controlled manufacturing enterprises in Canada of over $25 million rose from 26 per cent of the total of all United States controlled manufacturing enterprises in Canada in 1946 to 55 per cent in 1960. The proportion of United States ownership in the size group $1 to $10 million, which was 26 in 1960, remained fairly stable over the period. United States ownership in the size group $10 to $25 million was halved from 26 per cent in 1946 to 13 per cent in 1960, and the proportion in the smallest size group, the under $1 million, dropped from 22 per cent to 6 per cent of the total.

Further analysis of the data in Statement 41 shows that United States direct investment tends to represent a somewhat smaller proportion of the capital employed in United States controlled manufacturing enterprises falling in the largest size group than in the smaller enterprises. In the case of the largest size group United States direct investment accounts for 81 per cent, followed in descending order by 86 per cent, 94 per cent and 86 per cent. The proportion for all United States controlled manufacturing enterprises was 85 per cent. The greater association of other capital in the largest group no doubt reflects the existence of some major direct investment enterprises in which public participation has been characteristic for many years, the ability of this size group to arrange senior financing, remnants of Canadian investment in companies whose control has been purchased by United States corporations, etc. Over the postwar period as a whole the proportion by value of United States ownership in the larger United States controlled manufacturing enterprises has risen from 71 per cent at the end of 1946 to 81 per cent at the end of 1960. From 1946 to 1953, there was a decline of 5 percentage points, and in the succeeding seven years an increase of 15 points. Taking in all size groups, the proportion of United States ownership fell 7 percentage points from 1946 to 1953 and subsequently rose 6 points to 85 per cent in 1960. Changes in these ratios arose from the net effect of many divergent movements and influences. The period under review saw the reclassification from United States to Canadian control of some major companies in which United States ownership gradually declined, takeovers by United States interests and some reverse transactions, the occasional offering in Canada of stock of subsidiaries, a tendency initially towards the reduction of corporate debt, followed by rapid increases in it with the investment boom, the rise through the size groups both through growth and corporate merger, as well as the birth of great new enterprises taking the form of wholly-owned subsidiaries. It may be noted that a takeover by United States interests may have the effect of decreasing the overall proportion of United States ownership in United States controlled enterprises. This will happen when the remaining capital supplied by residents of Canada or of third countries is relatively larger than in the group of previously controlled enterprises.

Additional size distributions are available for the first time for 1960 covering foreign controlled enterprises in Canada in the industrial groups already discussed, and in the remaining sectors. These data appear in Statements 42 to 48. The last statement indicates that the top size group, covering only about 2 per cent of all foreign controlled enterprises in Canada, accounted for over 65 per cent of the total investment controlled by non-residents.

STATEMENT 42. Foreign Controlled Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enterprises[1]	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment	Enterprises[1]	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than $25 million	92	9,372	6,836	74	7,530	5,849	19	1,842	987
$10 to $25 million	95	1,493	1,167	74	1,172	969	21	321	198
1 " 10 "	625	1,972	1,731	514	1,637	1,462	111	335	269
Less than $1 million	1,483	443	360	1,289	370	301	194	73	59
Totals	**2,295**	**13,280**	**10,094**	**1,951**	**10,709**	**8,581**	**345**	**2,571**	**1,513**

[1] Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

STATEMENT 43. Foreign Controlled Manufacturing Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investment in Canada	All foreign controlled			United States controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	51	4,121	2,982	36	2,969	2,417
$10 to $25 million	60	909	738	43	654	563
1 " 10 "	477	1,447	1,323	394	1,190	1,120
Less than $1 million	1,202	350	299	1,039	289	248
Totals	**1,790**	**6,827**	**5,342**	**1,512**	**5,102**	**4,348**
	United Kingdom controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	11	960	465	4	192	100
$10 to $25 million	11	153	111	6	102	64
1 " 10 "	66	202	156	17	55	47
Less than $1 million	108	44	36	55	17	15
Totals	**196**	**1,359**	**768**	**82**	**366**	**226**

STATEMENT 44. Foreign Controlled Petroleum and Natural Gas Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than $25 million	47	4,073	3,027	25	3,248	2,398	4	532	389
$10 to $25 million				19	293	240			
1 " 10 "	84	311	259	70	275	224	14	36	35
Less than $1 million	104	46	27	92	41	23	12	5	4
Totals	**235**	**4,430**	**3,313**	**206**	**3,857**	**2,885**	**30**	**573**	**428**

STATEMENT 45. Foreign Controlled Mining and Smelting Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investiment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than $25 million	29	1,762	1,256	13	1,313	1,034	4	224	56
$10 to $25 million				12	225	166			
1 " 10 "	64	214	149	50	172	118	14	42	31
Less than $1 million	177	47	34	158	40	30	19	7	4
Totals	**270**	**2,023**	**1,439**	**233**	**1,750**	**1,348**	**37**	**273**	**91**

STATEMENT 46. Foreign Controlled Utility, Merchandising, Financial and Other Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investment in Canada	Utility			Merchandising		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	4	350	107	7	402	258
$10 to $25 million	5	76	61	7	114	89
1 " 10 "	36	131	108	106	273	245
Less than $1 million	60	20	9	1,093	195	165
Totals	**105**	**577**	**285**	**1,213**	**984**	**757**
	Financial			Other		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	11	956	681	4	69	25
$10 to $25 million	16	241	167			
1 " 10 "	179	539	469	70	193	155
Less than $1 million	465	168	147	515	101	92
Totals	**671**	**1,904**	**1,464**	**589**	**363**	**272**

STATEMENT 47. Control of Utilities, Merchandising, Financial and Miscellaneous Enterprises and of All Enterprises in Canada with Aggregate Investment of $25 Million or more, End of 1960

Controlled in	All enterprises[1]		Railways and other utilities	Merchandising	Financial	Other enterprises
	Enterprises	Aggregate investment				
	number	millions of dollars				
United States	90	8,951	detail not publishable	171	detail not publishable	
United Kingdom	16	1,705		231		
Other foreign countries	7	556		—		
Sub-totals, outside Canada	**111[2]**	**11,212**	**350**	**402**	**956**	detail not publishable
Canada — Private enterprises	105	12,240	4,367	610	3,148	
Government enterprises	12	9,078	8,643	27	—	
Totals, all enterprises	**228**	**32,530**	**13,010**	**1,039**	**4,104**	

[1] Corrected for the exeptional allocation of enterprises to more than one industrial group.
[2] Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

Statement 48. Total Foreign Controlled Enterprises in Canada, classified by Size of Investment,[1] End of 1960

Aggregate investment in Canada	All foreign controlled			United States controlled		
	Enterprises[2]	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	111	11,212	7,962	90	8,951	6,789
$10 to $25 million	123	1,923	1,478	93	1,474	1,171
1 " 10 "	998	3,052	2,658	723	2,276	2,019
Less than $1 million	3,607	921	774	2,780	664	570
Totals	**4,839**	**17,108**	**12,872**	**3,686**	**13,365**	**10,549**

Aggregate investment in Canada	United Kingdom controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than $25 million	16	1,705	813	7	556	360
$10 to $25 million	16	217	147	14	232	160
1 " 10 "	187	536	436	88	240	203
Less than $1 million	519	181	139	308	76	65
Totals	**738**	**2,639**	**1,535**	**417**	**1,104**	**788**

[1] Corrected for the exceptional allocation of enterprises to more than one industrial group.
[2] Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

About the figures –

FOREIGN OWNERSHIP AND CONTROL

The concept of DIRECT INVESTMENT adopted by the International Monetary Fund[12] is

> "... investment made to create or expand some kind of permanent interest in an investment; it implies a degree of control over its management. In the case of portfolio investment, on the other hand, the investor has no intention of playing a major role in the direction of policies of the enterprise; he is influenced by such considerations as marketability, income yield, possibilities for capital appreciation, tax advantages, exchange rate prospects, and safety of principal. Borderline cases exist between direct and portfolio investment, but a larger part of all investment can in practice be distinguished as belonging to one or the other category. .....
>
> Most direct investment is made to expand an enterprise beyond the national boundaries of its home country, either by establishing factories and sales organizations abroad or by producing or procuring goods abroad for import into the home country or export to third countries. It is characteristic of direct investment that the investor possesses managerial control over the enterprise in which the investment is made and that he also makes available to it his technical knowledge (know-how). For such reasons, some of the obstacles that usually stand in the way of international flows of private capital are absent in the case of direct investment.
>
> Direct investment is distinguished as a separate category because it constitutes a significant part of the international flow of capital and has a behavior that is rather different from that of other types of capital movements. Since it is intended to create or expand a permanent interest in a business, direct investment is usually made in accordance with programs that cannot readily be modified in the short run, although changes of interest rates in the capital market may influence the degree to which the investor

[12] *Balance of Payments Manual*, Third Edition, July, 1961.

invites the participation of local capital. Once direct investment flows have taken place, they are not likely to be reversed, except through depreciation of assets or the liquidation of the investment. Direct investment is therefore less likely to vary in the short run with interest and exchange rates than are most other types of capital movements, although surplus funds of direct investment companies may move in response to these factors. Moreover, short-term fluctuations in direct investment may arise from changes in inventories, from payments of taxes to the country in which the investment is made, or from the accumulation and distribution of profits.

From the point of view of the country of location, resident direct investment enterprises may be defined to include the following categories:

(a) Branches of foreign enterprises, incorporated or unincorporated, i.e., including branches of foreign sole proprietorships and partnerships.

(b) Other unincorporated enterprises operating separately in the compiling country but owned by non-residents or in which non-residents are controlling partners.

(c) Incorporated enterprises (such as subsidiaries) operating in the compiling country, in whose policies non-residents exercise an important voice. In the absence of other information, the representation of specific groups of non-residents on the board of directors, or the ownership of 25 per cent of the voting stock by a closely organized group of non-residents, may be taken as evidence of direct control. When there is no evidence of direct control in local hands, ownership of 50 per cent of the voting stock by residents of one foreign country or of 75 per cent by all non-residents may be taken as evidence of direct foreign control. .....

(d) Commercial real estate owned by non-residents, if this category of direct investment enterprise does not take any of the forms mentioned above.

The foreign investment in resident direct investment enterprises consists of two types of capital, direct investment capital and other capital. Direct investment capital is the (net) amount invested by the foreigners that have a material influence on the policies of the enterprise; it includes all investment in resident branches. "Other capital" in resident direct investment enterprises is the amount of capital invested in these enterprises by other foreigners."

Generally speaking most private investment not regarded as direct is described as PORTFOLIO INVESTMENT.

Although the statistical results do not differ greatly, many countries in practice apply slightly different criteria to measures of direct investment. In Canada these are derived from the basic organization of the statistical records of international investment, extending back to the early work in the field. These records cover each company in which any foreign capital is invested directly or indirectly.

Each enterprise[13] and in turn each company is classified primarily according to country or area of control. The concept of CONTROL needs to be carefully examined before conclusions are drawn from the data. In general an enterprise is considered to be foreign controlled if 50% or more of its voting stock is known to be held in one country outside Canada. The group is modified by the addition or deletion, as appropriate, of concerns where it is believed that because of the distribution of the stock effective control is held with less than 50% of the voting stock. (Since complete knowledge of the share owners may not be available the classification of borderline cases involves a measure of judgment based upon all the known factors which could be relevant.) The enterprise includes all the corporations over which the group itself is in a position to exercise control. The concept of control which has been adopted is, therefore, one of potential control through stock ownership, and the degree, if any, of local autonomy permitted in practice by the owners is not relevant.

An exception is made in respect of companies established for the purpose of making portfolio investments in Canada. These have not been treated as foreign controlled regardless of their ownership, since they do not in fact give rise to any measure of "control" over Canadian industry. Thus a number of investment funds established in Canada by United States interests are classified as portfolio rather than direct, despite the fact that the management and practically all the capital involved are of United States origin, because the funds' investments are widely diversified and have no entrepreneurial association.

There are, of course, concerns wholly or substantially owned beneficially by Canadians and so excluded from statistics of foreign controlled in Canada's international investment position, which may in fact be controlled through processes other than investment, e.g. licensing, franchises, exclusive supply contracts, captive markets, etc.

Foreign controlled enterprises range from unincorporated branches of foreign corporations operating in Canada, through wholly or partially-owned Canadian subsidiaries of foreign corporations, to Canadian private or public companies which have no parent concern but whose stock ownership is held substantially in a country outside Canada. (The Canadian data show as Canadian subsidiaries some companies incorporated outside Canada substantially for the purpose of engaging in business in Canada; figures for foreign investment in Canadian subsidiaries are consequently higher, and figures for foreign investment in branches lower, than would be the case if the strict basis of incorporation were followed.)

In Canadian statistics of international investment, direct investment covers that part of the total long-term investment in Canada[14] in foreign controlled companies, which has been provided by all the residents of the country in which control is deemed to lie. It will be noted that investment in the sense used here covers the net provision to Canada of long-term capital in the form of debt as well as share ownership.

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[13] Enterprises are defined broadly as firms or aggregations of firms under common ownership and financial control. See the *Standard Industrial Classification Manual*, DBS Catalogue No. 12-501. Occasional.

[14] For a description of the statistical technique used to derive estimates of foreign investment IN CANADA see page 67 *Canada's International Investment Position 1926-1954*, DBS Catalogue No. 67-503. Occasional.

(The concept of direct investment followed in Canadian statistics of capital movements, as distinct from the investment ownership, is somewhat different. While year end estimates of the total value of direct investments include the total value of long-term investments in Canada owned by **all** residents of the country in which control lies, the flows shown as direct investment in balance of payments statements are confined to those of the controlling, affiliated, or principal owners.)

The distinction between long and short-term capital in Canadian data covering this field is based on probable behaviour rather than on strict form. Respondents are asked to classify as long-term those claims which are intended or likely to remain outstanding for more than one year from the date incurred. This concept has proved more meaningful than adherence to the strict term of claims because demand obligations or open account claims are frequently applied in parent company – subsidiary accounting to capital having an essentially long-term function. In general, therefore, the definitions adopted approximate the "normal" capital employed. Short-term claims and changes in them which are excluded from direct investment under these definitions are included respectively in other categories of the investment position and in the "other capital movements" group of transactions.

Foreign OWNERSHIP of Canadian concerns is used synonymously with foreign investment and includes both direct and portfolio capital. Since the total investment in Canada in an enterprise is recorded as foreign controlled or Canadian controlled, but in either case parts of the investment may be owned either in Canada or abroad, the value of foreign controlled investment may either exceed or fall short of foreign ownership depending upon the mix and structure of the enterprises included.

In some large Canadian companies controlled abroad there are substantial minority holdings of securities owned in Canada or in some other countries than the country of control. This type of situation gives rise to instances where investments controlled abroad are greater than investments owned in the country of control. The petroleum and non-ferrous smelting and refining industries and some fields of manufacturing like chemicals provide examples where this has been the case. In contrast in some other areas of manufacturing such as beverages and pulp and paper there are enough foreign owned portfolio investments in Canadian controlled companies to give rise to the opposite type of relationship.

Analysis of changes in the value of foreign controlled investments, especially over relatively short periods, calls for constant awareness of the various factors giving rise to changes. The most typical, of course, is growth within the enterprise arising from the introduction of new capital and the retention of earnings; this growth may take the form of newly created assets or may involve the acquisition of additional existing undertakings. The most publicised and most dramatic changes are frequently those where, through a major transaction, control of an existing enterprise is acquired directly from residents by a foreign corporation or group of owners, or, less frequently, there is change in the opposite direction. But there have also been major shifts in the data caused by the cumulative effects of transactions spread over an extended period. As a result the introduction to Canada of a relatively small amount of additional capital has sometimes represented the culmination of a process whereby a substantial aggregate of Canadian and foreign capital previously invested in an enterprise has passed from resident to non-resident control.

In Canada's case the term FOREIGN PORTFOLIO INVESTMENTS is usually applied to the wide range of non-resident holdings of public issues of Canadian stocks and bonds where these holdings are not sufficiently concentrated to constitute control. These investments for the most part represent widely dispersed ownership which in comparison with direct investments is relatively passive in character. But although large segments of these investments are held for periods of long duration by institutional and other investors, there are some elements which are subject to more volatile considerations. The term Portfolio Investments is sometimes broadened when used in this series of reports to include the category Miscellaneous Investments[15] as well as holdings of securities. Included in this category are securities held through intermediaries as well as mortgages, real estate and various other investments.

In the field of corporation securities portfolio investments tend to be mainly in the issues of several thousands of Canadian companies controlled in Canada, including most of the leading issues traded on the stock exchanges. Another prominent part of portfolio investment is in the bonds and debentures of Canadian governments, municipalities and utilities. There is also a substantial total of minority holdings abroad of securities of Canadian companies controlled abroad. Large parts of portfolio investments have arisen from the sale of new issues of Canadian securities outside of Canada while other parts have resulted from the large volume of international trading in outstanding securities. Included are many securities payable only in Canadian currency as well as securities payable in foreign currencies.

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[15] See "About the figures – Miscellaneous Investments", *The Canadian Balance of International Payments, 1960 and International Investment Position*, p. 54.

PRELIMINARY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1963

For the convenience of users there is reproduced in the following section of this report the body of the Dominion Bureau of Statistics publication, *Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1963*, Catalogue No. 67-001.

This material is included in order to make available more recent figures and in order to provide a statistical bridge between statements of the balance of payments as currently published quarterly and statements as used in the general body of this annual report, the statistical presentation in which has not yet been revised.

About the figures –

CHANGES IN PRESENTATION 1963

During 1963 several changes to improve the presentation of the statistics were made in the principal statements of the balance of payments. These changes (unless otherwise indicated) have not been carried through the body of this report, but they are reflected in the supplementary section dealing with the Canadian balance of payments in 1963.

Within the capital account as it appears in the main table the figures for transactions in foreign securities previously shown in the separate components D. 6 (Trade in outstanding issues), D. 7 (New issues), and D. 8 (Retirements) have been consolidated into a single line, although the detail continues to be available in a subsidiary statement.

A change has been made in the statistical presentation of transactions with international financial agencies with the effect of consolidating in one place changes in Canada's net International Monetary Fund position and showing elsewhere the transactions with other international investment agencies. The change in Canada's net International Monetary Fund position appears as a new item H. 2 referred to below. Subscriptions to the other international financial agencies (the International Bank for Reconstruction and Development, International Finance Corporation, and International Development Association) appear in a new component of item D. 17 (Other capital movements) shown in detail in a subsidiary statement. Changes in their short-term Canadian dollar holdings have been incorporated into item D. 14 (Change in Canadian dollar holdings of foreigners), which has been subdivided to show separately deposits, Government of Canada demand liabilities and Canadian treasury bills. This redistribution of the items covering the international financial agencies replaces items D. 13 (Subscriptions in gold and United States dollars to international financial agencies), D. 15 (Special international financial assistance – except insofar as it originated from foreign central banks and is reflected in a new item H. 3) and the elements specified for international financial agencies in D. 17 (Other capital movements).

The transactions specifically related to Canada's official exchange position appear as a new item H. at the bottom of the statement. This treatment of official holdings of gold and foreign exchange was followed in Canadian presentations prior to the withdrawal of fixed exchange rates in 1950. Item H. 1 represents the change in official holdings of gold, United States dollars, and sterling; it corresponds to item D. 16 used previously but the sign is opposite since the changes are presented as the result of all other transactions in the statement rather than as an independent capital movement. Item H. 2 covers changes in Canada's net International Monetary Fund position representing the net resources supplied to or received from that institution. Item H. 3 covers other special international financial assistance.

In order that those who wish to do so may be in a position to adjust the annual data for earlier years consistently with the new presentation, the following summary shows the new distribution of the capital movements previously attributed to international financial agencies and other special international financial assistance in items D. 13, 15 and 17.

	D 14	D 17	H 2[1]		D 14	D 17	H 2[1]
	millions of dollars				millions of dollars		
1946	26	– 33	– 1	1955	– 9	–	–
1947	33	– 33	– 74	1956	– 2	– 3[2]	– 15
1948	–	–	–	1957	1	–	–
1949	1	– 6	–	1958	– 1	–	–
1950	– 5	–	–	1959	3	–	– 59
1951	– 4	–	–	1960	3	– 11	–
1952	– 1	–	–	1961	9	– 8	– 61
1953	– 18	–	–	1962	12	– 15	377
1954	– 13	–	–				

[1] Expressed as a capital movement.
[2] Reflects revision of + 1.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1963 AND PRELIMINARY ESTIMATES FOR THE YEAR 1963

There was a further contraction in the size of the deficit in Canada's international current account to $521 million in 1963 from $848 million in 1962. This improvement was distributed over each quarter of the year. It was brought about by a tripling in the size of the export balance from merchandise trade with the larger expansion in exports than in imports. This export balance of $484 million was close to half as much as the deficit of $1,005 million from all non-merchandise transactions. The latter balance was virtually unchanged from 1962 because of offsetting movements in leading components. While a further improvement in travel led to a small credit balance, there were in the opposite direction larger transfers of interest and dividends and an increased volume of exports financed by official contributions.

A significant part of the expansion in exports in 1963 was the larger sale of wheat which made up more than $200 million of the total rise of $700 million in the year. The major new element in this rise was the deliveries to the Soviet Union which were concentrated in the final quarter of the year. Larger and more diversified exports of manufactured goods made up another significant part of the export rise, and there were also varied gains in sales of various metals, forest products and other primary products. In the fourth quarter the current account deficit was slightly reduced to $108 million from the deficit in the same quarter of 1962. A larger export balance on merchandise account which reflects large sales of wheat to the U.S.S.R. was partly offset by larger transfers of interest and dividends and increased official contributions.

Among leading factors in the economic background influencing the balance of payments were rising economic activity in North America and in major markets abroad such as the United Kingdom, Japan and some countries of Western Europe. Along with this combination of strong influences was an apparent improvement in the competitive position of Canadian industry. Besides the increased export of many products there has been an extension in the range of Canadian consumption which has been met from production in Canada. This has had the effect of replacing merchandise imports which represented a smaller ratio of national expenditure than in similar stages of earlier periods of expansion. The devaluation of the Canadian dollar in 1962 together with tendencies to rising relative prices and costs in manufacturing countries abroad, has contributed to these changes. Official measures such as export credits, industry policies, defence sharing and the temporary import surcharges which were still in effect in the early months of 1963 have also contributed to the change.

Summary Statement

	1959	1962	1963	1962	1963			
				IV Q	I Q	II Q	III Q	IV Q
	millions of dollars							
Merchandise trade balance ...	- 422	+ 155	+ 484	+ 138	+ 70	+ 72	+ 144	+ 198
Deficit on non-merchandise transactions	- 1,082	- 1,003	- 1,005	- 257	- 308	- 261	- 130	- 306
Current account balance	- 1,504	- 848	- 521	- 119	- 238	- 189	+ 14	- 108
Capital movements(1)	+ 1,493	+ 1,004	+ 667	+ 597	+ 304	+ 300	- 73	+ 136
Long-term forms	+ 1,148	+ 672	+ 584	+ 458	+ 373	+ 200	+ 34	- 23
Short-term forms	+ 345	+ 332	+ 83	+ 139	- 69	+ 100	- 107	+ 159
Change in official exchange holdings(2)	- 11	+ 156	+ 146	+ 478	+ 66	+ 111	- 59	+ 28

(1) Excluding change in official exchange holdings.
(2) Gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance.

Capital movements in 1963 were influenced by various new background factors. Among these was the interest equalization tax legislation announced by the President of the United States in July. This affected the investment climate immediately and contributed to the very different patterns of capital flows in the second half from those in the earlier part of the year. Whereas in the first two quarters there were substantial inflows in long-term forms, mainly arising through a concentration of borrowing in the United States, in the third quarter the net inflow in these forms was sharply reduced and was accompanied by net outflows in short-term forms. In the fourth quarter the net movement in long-term forms was outward while short-term movements were inward. Another influence on the size of some capital flows like direct investments was the existence of fewer very large investment projects financed by this type of movement and of fewer "takeovers".

The current account deficit in 1963 was approximately one-third of the peak imbalance of $1,504 million which occurred in 1959. In that year there was a large negative balance on merchandise account in contrast to the positive balance which featured 1963, and the favourable change in the balances between the two years was $906 million due to a much larger rise in exports than in imports. On non-merchandise account there has been a reduction since 1959 of $77 million in the overall deficit, which was mainly the result of the improvement on travel account. But while there was a favourable change in the travel balance of $220 million in this period, this was partly offset by larger payments of interest and dividends and for business services. Important elements in the rise in exports between 1959 and 1963 from $5,150 million to $7,064 million have been increased sales of wheat, metals, forest products, petroleum and natural gas, and manufactured goods.

Canada's balance of international indebtedness continues to rise, although at a somewhat reduced rate. This measure is the amount by which the value of foreign investments in Canada and other kinds of liabilities abroad exceeds external assets owned by Canadians. By the year end it was of the order of $19 1/2 billion. This rise from $17.9 billion at the end of 1961 reflects principally the net capital inflow in the two-year period and the net undistributed earnings accruing to non-residents during it, tempered by increases in the value of Canada's external assets arising from the increased value of foreign currencies in terms of Canadian funds. At $19 1/2 billion the balance has grown in the last seven years nearly as much as the total accumulated balance of indebtedness up to that time.

The fourth quarter

Canada's deficit with all countries narrowed about 10 per cent from $119 million to $108 million between the December quarters of 1962 and 1963. This change was brought about by an increase from $138 million to $198 million in the commodity surplus, counterbalanced by a widening in the non-merchandise deficit from $257 million to $306 million. As the deficit with the United States on merchandise account more than doubled from $78 million to $162 million, the amelioration occurred wholly in trade with overseas countries. Within this group, huge shipments of wheat to the U.S.S.R. represented one outstanding element in the favourable trade situation in the closing quarter of 1963. The merchandise trade balance with the United Kingdom was unchanged while the balances with the Rest of the Sterling Area and other OECD countries deteriorated moderately in comparison with the final quarter of 1962.

Most of the $49 million expansion in the deficit on "invisibles" occurred in transactions with the United States. A substantial rise in interest and dividend payments, particularly on direct investment, and more moderately higher net payments on other items such as freight services and migrants funds and inheritances contributed to widening the over-all deficit on non-merchandise transactions with the United States. Increases in receipts of interest and dividends and in net travel receipts provided minor offsets.

After allowance for normal seasonal variations, the deficit with the rest of the world in the fourth quarter stood almost 20 per cent below the level for 1963 as a whole, but was substantially less than the high rate in the third quarter. In the last quarter, the surplus on merchandise account was some 20 per cent above the 1963 level. During the year, the merchandise surplus was highest in the June and December quarters, but changes in the individual balances of service items were generally not pronounced. Freight and shipping recorded the widest deficit in the September quarter and net payments of interest and dividends increased appreciably in the same quarter.

The shape of the capital account in the fourth quarter was greatly altered, reflecting in part at least the continuation of trends established earlier and the impact of previous developments. Long-term capital inflows continued to contract from the low levels (apart from deferred deliveries of new issues) characteristic after the first quarter of 1963. The phasing out of some direct investment projects played a part, and the bite of the United States interest equalization tax proposal became increasingly felt in the figures, although a number of other influences can also be pointed to,

including the earlier prepayment of intergovernmental debt. The result was a small outflow in long-term forms. Movements in short-term forms, on the other hand, were inwards and large. Commercial and finance company paper was one important form of inflow. It seems clear that some major re-evaluations of economic and financial prospects followed the announcement in September of the new wheat contracts and were a pervasive influence in the international movement of short-term capital quite apart from the actual export transactions themselves.

Export balance on merchandise trade

The surplus on Canada's merchandise trade tripled from $155 million in 1962 to $484 million in 1963. In current dollars, this positive balance just about equalled an exceptional surplus in 1952. After adjustment for balance of payments purposes, exports expanded $700 million, or 11 per cent, from $6,364 million in 1962 to $7,064 million in 1963. At the same time imports rose from $6,209 million to $6,580 million, or up 6 per cent. Both trade totals stood at the highest recorded levels, following uninterrupted gains in exports after 1959 and with imports increasing in successive years after 1960.

Export gains were widespread over many commodities, and significant declines in shipments during 1963 were seen for a relatively small number of commodities. Shipments of wheat recorded the sharpest increase of well over $200 million, due mainly to large sales to the U.S.S.R. and to some other countries in Eastern Europe. Exports of lumber and other wood materials advanced $70 million, those of railway rolling stock, automobiles and other vehicles over $50 million, and those of iron ore about the same amount. Shipments of machinery rose about $45 million and those of wood pulp and semi-fabricated steel each about $35 million. The value of exports of navigational systems and electronic control equipment almost doubled to $64 million in 1963. Gains covering aluminum, newsprint and other paper materials, and fertilizers were smaller, with aluminum increasing over $20 million and the other two groups each about $15 million. While recorded exports of aircraft declined from the unusually high level of 1962, there were offsetting prepayments referred to later in connection with adjustments to merchandise trade for balance of payments purposes. In 1962 there had been deliveries abroad of a large number of Canadian-built swing-tail jet cargo aircraft. The decline in uranium exports was extended in 1963 with a reduction of nearly $30 million. Shipments of cattle to the United States were valued at about $25 million below 1962.

On account of the huge Russian wheat purchase, the proportion accounted for by the group covering food, beverage and tobacco of total Canadian commodities exported rose from 19 per cent to over 21 per cent in 1963. The share of this group in 1961 was nearly 21 per cent. The proportion for crude and fabricated materials declined from 69 per cent in 1961 and 1962 to 66 per cent in 1963, while that for manufactured products rose from nearly 9 per cent to 10 1/2 per cent and to almost 11 1/2 per cent during the three-year period.

Adjustments to regular statistics on the Trade of Canada added in excess of $80 million to the export trade total, in comparison with about $15 million in the preceding year; and they covered in 1963 items such as progress payments on manufacture in Canada of aircraft for overseas NATO countries under United States military assistance, clearances of wheat and shipments from custom warehouses. The positive adjustment to the import trade aggregate, analyzed below, was much smaller, and comprised among other items imports into custom warehouses and progress payments on civil aircraft and for defence. The corresponding adjustment for 1962 was a sizable negative one to take account primarily of non-cash acquisition of defence goods.

As indicated earlier the rise in imports has been relatively less than in former periods of general business expansion. There has been an evident tendency for more import replacement by Canadian producers than formerly, which has been encouraged by exchange devaluation and temporary import surcharges still in effect in the first quarter of 1963.

The 6 per cent expansion in imports from $6,209 million to $6,580 million in 1963 was distributed over industrial materials, machinery and consumer goods. In a comparison of 11-month totals of the two years, imports of raw sugar were about $60 million higher in 1963, and the increase covering fruits and fresh meat was about half as large. Imports of farm equipment and tractors rose over $60 million, of crude petroleum and products more than $30 million. Less substantial increases occurred in imports of iron ore and scrap iron; semi-fabricated steel; tools; and engines. A gain in 1963 in imports of automobile parts slightly exceeded the decline in purchases from abroad of automobiles. Following an increase of some 20 per cent between 1961 and 1962 in the imports of automobiles, automobile parts and other vehicles, the rise for this group in 1963 was only about 1/10 as great. After appreciable increases in 1962 of about $60 million and $70 million respectively in the imports of electrical apparatus and non-farm machinery, imports of some commodities within these groups declined moderately in 1963. With adjustment for balance of payments use, imports of aircraft were also moderately lower in 1963.

As there was only a small rise in export prices of around one per cent in 1963 most of the increase in export values was in the volume of exports. In comparing corresponding months of the two years, most of the price rise was seen during the first half year. The Canadian dollar was devalued and stabilized in May 1962. With imports on the other hand there were more significant price increases within the year, but these were concentrated in the prices of sugar and a few other primary commodities. In addition there were the effects of the devaluation of the Canadian dollar upon import prices in comparisons with earlier months of 1962. Consequently only a part of the increased value of imports for the year as a whole reflects a rise in volume, although gains in volume were general in the latter part of the year.

Deficit on services and other non-merchandise items

The imbalance on non-merchandise transactions was practically unchanged at a deficit of $1,005 million in 1963, following a 13 per cent decline in the deficit on these transactions from the peak of $1,155 million in 1961 to $1,003 million in 1962. Among service items, the most noteworthy change in the year was a turn-around of $63 million in the travel balance from a deficit of $50 million to a surplus of $13 million in 1963. Although the improving trend was evident since 1960, this betterment was less than in 1962. On the other hand, net payments of interest and dividends increased $44 million, or by 8 per cent, and official contributions at $61 million, up $29 million from $32 million in 1962, were restored to the average level of contributions for recent years. Deficits on freight and shipping and on inheritances and migrants funds narrowed moderately, and the value of gold production available for export at $166 million was a shade higher in 1963, while a small rise took place in the deficit on all other current transactions.

Major Items in the Balance on Non-Merchandise Transactions

	1961	1962	1963	Change in 1963
	millions of dollars			
Gold production available for export	+ 162	+ 165	+ 166	+ 1
Travel	- 160	- 50	+ 13	+ 63
Interest and dividends	- 561	- 570	- 614	- 44
Freight and shipping	- 82	- 90	- 85	+ 5
Inheritances and migrants' funds	- 71	- 39	- 33	+ 6
Official contributions	- 56	- 32	- 61	- 29
All other current transactions	- 387	- 387	- 391	- 4
Balance on non-merchandise transactions	- 1,155	- 1,003	- 1,005	- 2

The proportion of the "invisible" deficit attributable to interest and dividends expanded from 57 per cent in 1962 to 61 per cent in 1963. The changes in the shares of other items were smaller, except travel expenditures, which accounted for 14 per cent and 5 per cent of net service payments in 1961 and 1962 respectively, but which yielded a small surplus in 1963.

Travel Expenditures

	1960	1961	1962	1963	Change in 1963
	millions of dollars				
Receipts:					
United States	375	435	510	549	+ 39
Overseas	45	47	50	53	+ 3
All countries	420	482	560	602	+ 42
Payments:					
United States	462	459	420	392	- 28
Overseas	165	183	190	197	+ 7
All countries	627	642	610	589	- 21
Balance					
United States	- 87	- 24	+ 90	+ 157	+ 67
Overseas	- 120	- 136	- 140	- 144	- 4
All countries	- 207	- 160	- 50	+ 13	+ 63

Successive improvements in the travel balance from the record level deficit of $207 million in 1959 and 1960 was extended in 1963, with the emergence of a small surplus of $13 million, the first since 1950. This improvement has been concentrated in transactions with the United States as the deficit with the overseas has risen very gradually over the three recent years, with the Canadian expenditures for travel overseas increasing slightly more than receipts in Canada from visitors from overseas countries. Canadian travel expenditures overseas however have not risen proportionately as much as the volume of this group of travellers.

In transactions with the United States, expenditures by American visitors have increased nearly 50 per cent from $375 million in 1960 to $549 million in 1963, while travel outlays by Canadians in the United States have declined, but less substantially from $462 million in 1960 to $392 million in 1963. In this year alone the rise in receipts amounted to $39 million, or over 7 per cent, while the contraction in payments was estimated at $28 million, or nearly 7 per cent. Visitors to Canada arriving by automobile accounted for most of the gain in receipts, and longer visits as well as more visitors contributed to this gain. On the other hand, although more Canadians visited the United States, average expenditures tended to be lower than in the previous year. Duty-free tourist purchases in the United States declined well over $10 million, and as the privilege was curtailed at the end of June 1962, the contraction in these imports occurred between the first halves of 1962 and 1963.

The deficit on interest and dividends widened nearly 8 per cent from $570 million to the highest recorded level of $614 million in 1963. Both receipts at $228 million and payments at $842 million were higher than ever before, but the absolute increase in payments was more than three times as large as that in receipts during 1963. The latter rose from $211 million to $228 million, from enhanced receipts of interest, which were largely represented by increased earnings on official account. Payments of interest and dividends advanced nearly 8 per cent from $781 million to $842 million, with the increase distributed nearly evenly between the two components. Interest payments rose over 10 per cent to $317 million. Sales to non-residents of new bonds were the largest factor in enhanced interest payments. Trade in outstanding securities accounted for a much smaller increment, but retirements of Canadian bonds had the effect of partially offsetting the increase. Roughly 90 per cent of the additional interest, arising from new sales of bonds, was paid in the last three quarters of 1963. Large sales of Government of Canada and provincial issues and corporation bonds in 1962 produced increased interest payments in the second quarter of 1963, and in addition substantial sales of corporate bonds in the June quarter yielded higher interest payments in the last quarter of 1963.

Interest and Dividends: Payments

Period		Total	Interest	Dividends
		millions of dollars		
1961		770	259	511
1962		781	285	496
1963		842	317	525
1962	I Q	179	67	112
	II Q	205	76	129
	III Q	163	62	101
	IV Q	234	80	154
1963	I Q	196	70	126
	II Q	192	89	103
	III Q	181	70	111
	IV Q	273	88	185

Dividend payments rose nearly 6 per cent from $496 million in 1962 to $525 million in 1963; and under two-thirds of this increase was attributable to dividends on direct investment. The remainder of the rise was divided about equally between dividends paid on portfolio investment and net profits of unincorporated branches in Canada of foreign companies. Transfers of dividends by subsidiaries followed an irregular course during the year. Payments in the second quarter were much less than in the previous year while the first, third and fourth quarters were higher, with the main increase occurring in the final quarter.

A new factor applying to transfers in the second half was introduced in the June Budget with the lowering in the withholding tax rate from 15% to 10% on dividends paid to non-residents by certain Canadian companies. On the other hand non-resident holdings of stocks have been reduced by persistent liquidations over the past several years.

With expanding exports and imports, both receipts and payments on freight and shipping services rose, the former by 10 per cent to $550 million and the payments by 8 per cent to $635 million. The deficit on transportation accordingly narrowed $5 million to $85 million. Higher receipts of inland freight on exports accounted for a large proportion of the gain in freight receipts, and expenditures of foreign ships in Canada were also greater, but more moderately so. Likewise, inland freight on imports from the United States and expenditures abroad of Canadian shipping lines accounted for most of the additions to freight payments.

Increases of $25 million and $19 million respectively in receipts and payments of migrants' funds and inheritances raised these totals to $149 million and $182 million, and reduced the deficit $6 million to $33 million. The rise in receipts was attributable to a 25 per cent gain in the number of immigrants in 1963, offset by slightly lower per capita funds from the unusually high average of the preceding year. An increase in the number of Canadians leaving the country for residence abroad brought about the rise in payments. Following an increase of $1 million to $166 million, the value of gold production available for export in 1963 stood slightly above the average for this item in the sixties.

Among the other "invisibles", so far not described, official contributions registered the largest change in expanding from an unusually low level of $32 million in 1962 to $61 million in 1963. The provision of capital assistance and technical aid under the Colombo Plan doubled in the year to nearly $50 million. Fairly small and offsetting changes in net payments on other items such as other government expenditures, business services miscellaneous income and personal remittances raised the deficit from $387 million to $391 million in 1963.

Miscellaneous Current Transactions

	Receipts		Payments	
	1962	1963	1962	1963
	millions of dollars			
Government, excluding official contributions ..	114	120	149	161
Personal and institutional remittances	26	26	91	94
Miscellaneous income	102	94	143	140
Business services	184	204	430	440
Total	426	444	813	835
Balance	-	-	- 387	- 391

Transactions by areas

A sharp rise in the surplus on current transactions of $369 million, or nearly 140 per cent, with overseas countries, offset in part by a slight widening in the deficit with the United States of less than 4 per cent, or $42 million, combined to produce the fall in Canada's overall deficit on current account from $848 million to $521 million in 1963. This was the reversal of the change that took place in 1962, when the deficit with the United States narrowed about one-fifth and the surplus with overseas countries fell about a third. Within the overseas group, about one-half of the change was ascribable to transactions with the United Kingdom alone. Increased shipments of wheat to the U.S.S.R. were large enough to account for the remainder of the expansion in the overseas surplus.

With the United States

The small increase in the deficit on Canada's transactions with the United States from $1,116 million to $1,158 million followed about a 5 per cent increase in both receipts and payments for goods and services. Total receipts were up $291 million to $5,474 million in 1963, while total payments grew $333 million to $6,632 million. Both merchandise exports and imports rose nearly 6 per cent, the former from $3,742 million to $3,952 million, up $210 million. Merchandise imports increased $247 million to $4,464 million. Among exports to the United States, shipments of iron ore and concentrates advanced over 20 per cent to $214 million. Shipments of softwood lumber rose 10 per cent to over $313 million, those of aluminum 18 per cent to $120 million, and those of wood pulp 4 per cent to $310 million. More moderate increases were recorded in exports of a variety of other commodities such as whisky, nickel ores, farm machinery, electronic equipment and fertilizers. A sizable fall of over $50 million took place in shipments of uranium; and exports of cattle declined more moderately.

A large part of the $247 million increase in merchandise imports from the United States covered commodities of iron and steel, such as automobile parts, farm equipment and tractors and parts. On the basis of 11-month totals, imports of automobiles and some types of non-farm machinery were lower in 196

The deficit on non-merchandise transactions with the United States increased $5 million to $646 million. A substantial expansion of roughly 75 per cent on net travel receipts was more than counterbalanced by widened deficits on some other non-merchandise items. References to these changes appear in the section on an overall consideration of service transactions.

With the United Kingdom

The rising course since 1959 of Canada's surplus in transactions with the United Kingdom was e tended in 1963, when the largest expansion in this recent period of $181 million occurred. The surplu of $394 million, arising from total receipts of $1,279 million and payments of $885 million, was the highest since 1949, and stood slightly above that of $388 million in 1952. Nearly 80 per cent of the improvement was ascribable to merchandise trade, the surplus going up some 40 per cent to $492 million

Summary of Current Transactions with the United States, United Kingdom and Other Countries 1962 and 1963, and Changes Between the Periods

	1962	1963	Change	1962	1963	Change
	millions of dollars					
	All countries			United States		
Fourth quarter						
Merchandise exports (adjusted)	1,721	2,009	+ 288	978	1,030	+ 52
Merchandise imports (adjusted)	1,583	1,811	+ 228	1,056	1,192	+ 136
Balance on merchandise trade	+ 138	+ 198	+ 60	- 78	- 162	- 84
Other current receipts	488	529	+ 41	327	345	+ 18
Other current payments	745	835	+ 90	531	593	+ 62
Balance on non-merchandise transactions	- 257	- 306	- 49	- 204	- 248	- 44
Total receipts	2,209	2,538	+ 329	1,305	1,375	+ 70
Total payments	2,328	2,646	+ 318	1,587	1,785	+ 198
Current account balance	- 119	- 108	+ 11	- 282	- 410	- 128
Calendar year						
Merchandise exports (adjusted)	6,364	7,064	+ 700	3,742	3,952	+ 210
Merchandise imports (adjusted)	6,209	6,580	+ 371	4,217	4,464	+ 247
Balance on merchandise trade	+ 155	+ 484	+ 329	- 475	- 512	- 37
Other current receipts	1,984	2,139	+ 155	1,441	1,522	+ 81
Other current payments	2,987	3,144	+ 157	2,082	2,168	+ 86
Balance on non-merchandise transactions	- 1,003	- 1,005	- 2	- 641	- 646	- 5
Total receipts	8,348	9,203	+ 855	5,183	5,474	+ 291
Total payments	9,196	9,724	+ 528	6,299	6,632	+ 333
Current account balance	- 848	- 521	+ 327	- 1,116	- 1,158	- 42
	United Kingdom			Other countries		
Fourth quarter						
Merchandise exports (adjusted)	249	266	+ 17	494	713	+ 219
Merchandise imports (adjusted)	131	147	+ 16	396	472	+ 76
Balance on merchandise trade	+ 118	+ 119	+ 1	+ 98	+ 241	+ 143
Other current receipts	75	84	+ 9	86	100	+ 14
Other current payments	83	86	+ 3	131	156	+ 25
Balance on non-merchandise transactions	- 8	- 2	+ 6	- 45	- 56	- 11
Total receipts	324	350	+ 26	580	813	+ 233
Total payments	214	233	+ 19	527	628	+ 101
Current account balance	+ 110	+ 117	+ 7	+ 53	+ 185	+ 132
Calendar year						
Merchandise exports (adjusted)	924	1,017	+ 93	1,698	2,095	+ 397
Merchandise imports (adjusted)	575	525	- 50	1,417	1,591	+ 174
Balance on merchandise trade	+ 349	+ 492	+ 143	+ 281	+ 504	+ 223
Other current receipts	227	262	+ 35	316	355	+ 39
Other current payments	363	360	- 3	542	616	+ 74
Balance on non-merchandise transactions	- 136	- 98	+ 38	- 226	- 261	- 35
Total receipts	1,151	1,279	+ 128	2,014	2,450	+ 436
Total payments	938	885	- 53	1,959	2,207	+ 248
Current account balance	+ 213	+ 394	+ 181	+ 55	+ 243	+ 188

Merchandise exports increased from $924 million to $1,017 million, up 10 per cent, while merchandise imports contracted nearly 10 per cent from $575 million to $525 million. In 1963, shipments of uranium rose $24 million, followed by those of wheat, which advanced about $20 million. Following a fairly sizable decline in 1962, exports of iron ore gained more than $11 million. Other increases were recorded in exports of oil cake and meal, lumber, wood pulp, copper and nickel, while declines occurred in exports of tobacco and newsprint. Most of the $50 million reduction to $525 million in imports from the United Kingdom occurred in commodities of iron and steel, and in particular, automobiles.

Current Account Balances with Principal Countries and Areas

	1961	1962	1963	Change in 1963
	millions of dollars			
United States	- 1,386	- 1,116	- 1,158	- 42
Overseas:	+ 404	+ 268	+ 637	+ 369
United Kingdom	+ 187	+ 213	+ 394	+ 181
Other Sterling Area	+ 27	+ 11	- 20	- 31
Other OECD countries	- 31	- 70	- 86	- 16
Other countries	+ 221	+ 114	+ 349	+ 235
All countries	- 982	- 848	- 521	+ 327

The deficit of $136 million in 1962 on non-merchandise transactions with the United Kingdom was reduced nearly 30 per cent to $98 million. This change of $38 million was derived from increased net receipts amounting together to $30 million on freight and shipping services and migrants' funds and inheritances. In addition there was a cut of some $20 million in the deficit on "miscellaneous current transactions", which was in part offset by a widening by a smaller degree in net payments on travel, interest and dividends. Expenditures on government account, including defence, were down, and the deficits on other items of miscellaneous current transactions were also lower.

With "other countries"

The substantial improvement in Canada's surplus in transactions with other countries took place with countries outside the Sterling Area and other OECD groups. With respect to the two latter areas, there was a deterioration amounting to $47 million. With the remaining countries, however, the surplus tripled from $114 million to $349 million; and nearly 90 per cent of this gain was concentrated in commodity trade. Merchandise exports increased about 40 per cent from $736 million to $1,024 million, while imports rose over 10 per cent from $628 million to $706 million. In reflection of poor crop conditions overseas, clearances of wheat to Russia alone in 1963 amounted to nearly $180 million, with none being shipped in 1962, but shipments of wheat to Mainland China declined almost $50 million from the peak in 1962. In addition barley exports to China were more than $10 million lower in 1963. Exports to Japan, on the other hand, rose nearly 40 per cent to a shade under $300 million. Exports to Latin America were up about $50 million, or 20 per cent, to almost $290 million. Within this area the largest gains appeared in exports to Argentina and Mexico, and smaller increases to Colombia, Peru, Venezuela and Cuba. The rise to Argentina was mainly in locomotives, and this commodity was featured also in increased exports to Mexico. About one-half of the $78 million increase in imports from the other countries group was accounted for by larger imports of raw sugar from Cuba and greater purchases of crude petroleum from countries including Iran, Saudi Arabia and Venezuela. A sizable gain in earnings on inland freight on exports accounted for an appreciable share of the $25 million expansion to $31 million in the surplus on service transactions.

With Rest of the Sterling Area and other OECD countries

A slow deterioration since 1960 in the balance of current transactions with the Rest of the Sterling Area and the other OECD countries continued in 1963. A surplus with the former area of $11 million in 1962 changed into a deficit of $20 million in 1963, while the deficit with the latter group rose slightly from $70 million to $86 million. Most of the change with the Rest of the Sterling Area was due to larger official contributions, and with the OECD group, a greater expansion in net payments on service transactions outweighed the gain in commodity surplus. The swing from a near balance in service transactions with the Rest of the Sterling Area to a deficit of $20 million was attributable to higher official contributions, in particular to the recovery of disbursements financing exports under the Colombo Plan. The change in merchandise trade balance with the RSA, which resulted from over 20 per cent rises in both exports and imports in 1963, was only slight, but a factor in the former was the financing by official contributions of a larger volume of goods. Largest gains took place in exports to the Republic of South Africa and to India. Wheat accounted for most of the increase to the former but shipments of lumber, automobiles and trucks were up as well. Larger exports to India included

rails, copper, asbestos, turbines and wheat. Raw sugar was the most important single commodity contributing to enhanced imports from the RSA with prices considerably higher in 1963.

On merchandise account with the other OECD countries, a 6 per cent advance in exports offset by that of over 3 per cent in imports added some $20 million, or 13 per cent, to the surplus. On the other hand, the deficit from non-merchandise transactions with the other OECD countries rose to a new peak and continued to exceed the merchandise surplus by a wide margin. With the exception of slightly larger receipts of migrants' funds and inheritances, the deficits on other non-merchandise items, in particular government expenditures, widened in 1963.

Capital Movements

The effects of some of the developments described earlier can be readily identified in the statistics of capital movements between Canada and other countries in 1963. Capital in long term forms began to flow into Canada again on a substantial scale following the crisis of mid-1962. It continued to do so on a reducing scale until the final quarter of 1963 being equivalent over the year as a whole to 112 per cent of the current account deficit. Portfolio investment, mainly taking the form of purchases by non-residents of new issues of Canadian securities, accounted for a major part of the inflow in 1963, supplanting direct investment which had held prime place since 1950 with the exception of the four years from 1956 to 1959.

A series adjusting the inflows to reflect the timing of contracts for the sale of new issues of Canadian bonds and debentures rather than deliveries made in subsequent quarters (at which time actual capital movements occur) shows them to have been heavily concentrated in the last half of 1962 and the first quarter of 1963. It is perhaps to this series that one should relate the Canadian budgetary measures introduced in mid-June and the special message to Congress by the President of the United States in mid-July. These policy measures no doubt also contributed to the swings in movements of capital in short-term forms, as did the announcement in mid-September of major wheat export contracts. The impact of the latter transactions themselves and of their contribution to the general economic outlook was clearly diffused through a number of the short-term capital items.

Movements of capital for direct investment, portfolio stocks and bonds, official loans, and other long-term investments resulted in a net inflow of $584 million in 1963. Their total was smaller than in 1962, and indeed less than for any year since 1955, but for the first time since 1956 they were greater than the current account deficit incurred in the year. In 1956 the inflows in long-term forms aggregated a record $1,424 million while the current account deficit was $1,366 million, a figure subsequently exceeded on two occasions. In 1962 the inflow of $672 million in long-term forms was equivalent to about 80 per cent of the current account deficit of $848 million in that year.

Summary	1962				1963			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
	millions of dollars							
apital movements in long-term forms	+ 5	- 29	+ 238	+ 458	+ 373	+ 200	+ 34	- 23
apital movements in short-term forms(1)	- 46	- 243	+ 482	+ 139	- 69	+ 100	- 107	+ 159
alance on goods and services	- 333	- 362	- 34	- 119	- 238	- 189	+ 14	- 108
ange in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	- 374	- 634	+ 686	+ 478	+ 66	+ 111	- 59	+ 28

.) Excluding items in final line.

In contrast to 1962 when the capital inflows in long-term forms occurred entirely in the second lf of the year, following the action taken to restore balance in Canada's external finances, the inows in 1963 were largely confined to the first half of the year. Broadly speaking it may be said that 62 was divided by the exchange crisis which occurred in June, while the year 1963 found a dividing int in the announcement of tax measures in Canada and in the United States. But these watersheds present an oversimplification which may conceal or obscure both the interaction of developing situations and the lags between decisions and flows which were of some real significance in these years.

Capital Inflows in Long-Term Forms

Period	Actual Inflow	Adjusted to reflect timing of security contracts
	millions of dollars	
1962 First Quarter	+ 5	+ 107
Second "	- 29	- 140
Third "	+ 238	+ 534
Fourth "	+ 458	+ 460
1963 First Quarter	+ 373	+ 503
Second "	+ 200	- 38
Third "	+ 34	- 42
Fourth "	- 23	- 35

Geographically net capital inflows in long-term forms are attributed wholly to the United States in 1963. Although aggregating about $800 million, they fell well short of the current accoun deficit with the United States. The outflows of some two hundred million dollars to overseas countries reflected primarily continued disposal by overseas residents of Canadian securities together with the extension by Canada of export credits.

Capital inflows in short-term forms produced $83 million, net, in contrast to the very substantial inflow of $332 million in 1962. These capital movements together provided the financing for the current account deficit of $521 million in 1963 and also permitted an improvement of $146 million in Canada's official reserve position.

DIRECT INVESTMENT The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1963 is estimated to have totalled $210 million, or about 38 per cent of the $555 million recorded in 1962. This was a lower level than had prevailed during and since the 1950's. In the main the inflows in 1963 reflect additional investment by foreign corporations in their Canadian subsidiaries or branches, contributing to new capital formation in Canada. On balance outflows from Canada covering the repurchase of Canadian enterprises exceeded inflows for the take-over of existing concerns by non-residents. This is a reversal of the situation in recent years, particularly 1962, when net inflows for the take-over of Canadian enterpris and for refinancing etc., having no counterpart in current new capital formation in Canada, accounted for more than a quarter of the net movement. Indeed the swing in this type of transaction serves to explain half the decline in the inflow from 1962 to 1963.

Approximately one third of the net movement, or about $75 million, occurred in the first quart of the year while the remainder was spread evenly over the last three quarters with successive quarter totals of $40 million, $50 million and $45 million. The decrease in importance of take-overs contributed to the more even inflow of direct investment funds throughout 1963 than in the previous year. Apart from the special transactions the inflows have declined moderately in each of the last five quarters. It should be noted that the net movement of direct investment capital reflects very much larger flows in both directions. There have been sizable outward movements in recent years by companies whose operations are well established and successful. Such movements frequently do not reflect any reduction in the value of foreign investment in Canada but may merely represent the transfer of cash resources generated from current operations. To the extent that this is the case such transfe may take the place of dividends which would have appeared as a current account payment.

Petroleum and natural gas still appears to be the industry receiving the largest proportion of net direct investment inflows although at a considerably reduced rate from previous years when the influence of take-overs was more prominent. A significant development however is that for the first time in recent years the manufacturing industry appears to have supplanted mining as the second larges recipient of foreign capital. The main reason for this change was a sharp drop in net inflows for mining, but the absence in 1963 of some major outflows which reduced the net movement into manufacturi in 1962 also contributed to this result. The generation of funds internally by foreign-owned branches and subsidiaries seems to have reduced reliance on net direct investment inflows while changes in corporate structure have also been important in the petroleum industry.

Geographically, direct investment inflows from each area decreased sharply from 1962 levels, with inflows from the United States falling by about half and inflows from other areas falling by much larger proportions. As a result the proportion provided by residents of the United States rose from 64 per cent in 1962 to about 80 per cent in 1963.

Preliminary estimates of the movement of capital for direct investment abroad indicate a net outflow of $80 million compared with $125 million in 1962. Perhaps one third of the 1963 net outflow was for manufacturing while outflows for investment in merchandising and financial concerns each represented approximately one quarter of the total. Roughly half of the net movement appears to have been to the United Kingdom.

SECURITY TRANSACTIONS

A capital inflow of $527 million resulted from transactions in portfolio securities between Canada and other countries during 1963. It was the largest since 1959, greatly exceeding the inflow for direct investment in foreign-controlled enterprises - usually the major type of capital inflow. By mid-year the net inflows totalled $552 million but transactions over the latter half produced a small net outflow of $25 million.

The main factors responsible for an increase of $252 million in the net capital inflow over 1962 were a growth of $246 million in new borrowings from non-residents by Canadian governments and corporations and a swing of $90 million in capital flows from transactions in foreign securities from purchases by Canadians in 1962 to sales in 1963. These changes were tempered by an increase of $84 million in the net repatriation of outstanding Canadian securities held abroad.

Net sales (+) or purchases (-) by Canadians	I	II	III	IV	Year
	millions of dollars				
Canadian securities:					
Outstanding - Bonds ...	+ 23	+ 27	- 7	- 4	+ 39
Stocks ..	- 56	- 44	- 27	- 42	- 169
New issues	+ 411	+ 393	+ 109	+ 51	+ 964
Retirements	- 54	- 174	- 34	- 65	- 327
Foreign securities:					
Outstanding issues	+ 4	+ 21	- 4	+ 19	+ 40
New issues	- 6	- 3	- 5	- 26	- 40
Retirements	+ 5	+ 5	+ 5	+ 5	+ 20
Total - All countries	+ 327	+ 225	+ 37	- 62	+ 527
United States	+ 350	+ 264	+ 65	- 41	+ 638
United Kingdom	- 15	- 33	- 28	- 10	- 86
Other countries	- 8	- 6	-	- 11	- 25

A summary shows the composition of the transactions in 1963. The proceeds of new issues reached an unprecedented total of $964 million. This exceeded by $166 million the previous record set in 1957. In the four quarters ending September 30, the capital inflows in this form fell just short of $1,300 million. These movements were dominated by two major borrowings arranged in the United States market. The first was an issue of US $250 million placed by Government of Canada for delivery in equal instalments in the final quarter of 1962 and the first quarter of 1963. The second was an issue of US $300 million placed by Quebec Hydro in the first quarter of 1963 of which US $200 million had been delivered by the year-end. These and other issues contributed to wide disparities between the timing of contractual arrangements and of resulting capital flows. In fact the sale to non-residents of new issues of Canadian securities, on a contractual timing basis, was drastically curtailed between the first and second quarters, although deliveries were little changed. Late in June the Canadian budget introduced a number of measures designed to influence the balance of payments, including a measure to relieve certain non-resident purchasers of Canadian bonds of the burden of Canadian withholding tax. The effect of this measure was nullified by the proposal to the United States Congress in early July to introduce an interest equalization tax designed to increase by about one per cent the per annum cost to most foreigners of long-term borrowing in that country. Although an intention of exempting Canadian borrowers was announced shortly thereafter, the existing uncertainty largely dominated the United States capital market as a source of long-term financing for Canada in the rest of the year.

New Issues of Canadian Bonds Sold to United States Residents

Period		Contracts	Deliveries	Undelivered*
		millions of dollars		
1962	Year	960	671	312
1963	Year	714	910	116
1963	I Q	530	400	442
	II Q	131	369	204
	III Q	28	104	128
	IV Q	25	37	116

* At end of period.

Trade in outstanding issues was dominated in 1963 by the repatriation of $169 million Canadian common and preference stocks held abroad. Canadians on balance sold $39 million Canadian bonds and debentures and relinquished $40 million of foreign portfolio securities. In 1962 the net capital outflow of $126 million resulted from net purchase balances of $116 million for the repurchase of Canadian common and preference stocks and $74 million for the acquisition

of foreign securities from non-residents (including $69 million for foreign stocks), while Canadians sold on balance $64 million of Canadian bonds, debentures and other securities.

By mid-1963 net sales of outstanding Canadian bonds and debentures had attracted about $50 million from abroad but trade over the latter half of the year led to a repurchase balance of $11 million.

Net repurchases of outstanding Canadian common and preference stocks held abroad continued during each quarter of 1963. The capital outflow of $169 million for the year as a whole topped the record net capital outflow of $116 million set in 1962. Net repurchases of $98 million, $54 million and $17 million were made from residents of the United States, the United Kingdom and other overseas countries respectively. Net repurchases from the United States were very much larger than in 1962, when they first appeared in the second quarter after a long series of sales balances. The net repurchases from the United Kingdom and from other overseas countries each fell in 1963. Repurchases from these areas have been characteristic since 1960.

After net purchases of outstanding foreign securities every year since 1959, Canadians resold on balance $40 million in equal amounts of their holdings of stocks and bonds and debentures to non-residents in 1963. Some of the proceeds appear to have been employed in the purchase of new issues.

Retirements of Canadian securities held by non-residents involved outflows of $327 million, only slightly higher than in 1962. A large and rising volume of retirements is to be expected in the light of the substantial increasing holdings of Canadian bonds and debentures by non-residents. The series also reflect retirements of preferred stocks and special repurchases of some common stocks such as those arising from the acquisition by provincial authorities of private utility companies.

For the third successive year the United States was the sole net provider of portfolio security capital contributing $638 million in 1963 compared with $445 million in 1962. Net outflows of $86 million and $25 million to the United Kingdom and other overseas countries respectively, compared with $91 million and $79 million to the same countries in 1962.

Notwithstanding the absorption by non-residents of $139 million of Government of Canada direct and guaranteed issues during 1963, $20 million more than in 1962, their net acquisition of the net new supply of these securities fell by almost five percentage points to 18 per cent of the larger amounts raised. The net acquisitions by non-residents of provincial, municipal and corporate securities were equal to about a third of the net new supply. This was about the level which prevailed between 1956 and 1959 and about twice as high as percentages in the intervening years since.

A more extended review of international security movements in 1963 will be found in the December issue of "Sales and Purchases of Securities between Canada and Other Countries". (DBS Catalogue No. 67-002).

OTHER CAPITAL FLOWS IN LONG TERM FORMS As in previous years Canadian Government non-military aid abroad in 1963 took the form largely of payment of the regular assessments from international agencies of which Canada is a member, official contribution and the extension or guarantee of export credits. While assessments and contributions form a part of Canada's current payments, the latter transactions, which give rise to claims on non-residents, are reflected in the capital account under item D 17.

In addition in 1963 the Government of Canada made loans totalling $10 million to other nationa governments while receiving repayments of $25 million. The new loans represented advances to India in connection with the purchase of aircraft. Re-payments dropped sharply below the $129 million in the previous year when accelerated prepayments of principal amounting to $91 million served to ease Canada international financial position. The accelerated prepayments made in 1962 have had the long-term effect of reducing prematurely inflows of capital from this source.

The major repayment in 1963 was received from the United Kingdom with other amounts coming fro India, Belgium and Ceylon. After the unusual transactions of 1962 which upset the seasonal variation of repayments the normal pattern is apparent again in 1963 with repayments concentrated in the second and particularly the fourth quarters of the year. In addition to these principal repayments, there were receipts of $26 million on account of interest in 1963; these are a part of the item in the current account covering Canada's receipts of interest and dividends.

Among other movements of official capital in long-term forms was the regular subscription payment by Canada to the International Development Association of $8 million made in the fourth quarter.

This institution was established to assist in economic development in less developed countries whose ability to make good use of capital exceeds their capacity to service loans extended on conventional terms. To date Canada has paid in to the Association about $33 million. Not all of these funds have yet been used by the Association, and the offsetting liability appears mainly in the item for Government of Canada demand liabilities.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1961	1962	1963	1963			
				I Q	II Q	III Q	IV Q
	millions of dollars						
Subscriptions to international investment agencies(1)	- 8	- 15	- 8	-	-	-	- 8
Long-term capital transactions n.i.e.	132	- 140	- 80	- 4	- 46	- 30	-
Bank balances and other short-term funds abroad (excluding official reserves)	140	94	- 252	- 59	- 80	- 136	23
Canadian commercial paper	)		(- 23	- 39	15	- 11	12
Canadian finance paper	) 100	146	(47	8	- 3	11	31
Canadian finance company obligations n.i.e.	)		(49	- 12	24	11	26
All other transactions including changes in loans and accounts receivable and payable(2)	148	104	248	53	126	12	57
Total (Item D 17)	512	189	- 19	- 53	36	- 143	141

(1) International Bank for Reconstruction and Development, International Development Association, and International Finance Corporation.
(2) Includes also balancing item representing difference between direct measurements of current and capital accounts.

The remaining capital movements in long-term forms led in 1963 to an outflow of $80 million most of which occurred in the second and third quarters. In 1962 there was an outflow of $140 million following an inflow of $132 million from this group of transactions in 1961. The composition of these movements was somewhat more diverse in 1963 than in 1962 when about four-fifths of the total covered substantial re-payments of bank loans which were financed from the sale to non-residents of a new corporate bond issue. Apart from the effects of this transaction about half the change from 1962 to 1963 is estimated to have covered a reversal in the direction of capital flows associated with uranium, which gave rise to outflows in 1963 in contrast to the inflows which occurred in the earlier phases of the stretch-out agreements. Also contributing to the outflows have been the extension by Canada of medium and long-term export credits, repayments by Canadian corporations on foreign bank loans and the flows of capital between branches and home offices of insurance companies in Canada and abroad.

The net export credits extended by Canada directly or indirectly under guarantee or at risk of the Government of Canada, as measured for balance of payments purposes, and including both long and short term credits, amounted to about $25 million in 1963. Although the figure is well below the totals of about $60 million for 1962 and $130 million for 1961 it may be noted that most of the reductions reflect substantial repayments, some of which have been made in advance of their due dates. Net capital outflows originating from these trade credits are smaller than the net credits extended because some paper is rediscounted with non-residents or into Canadian banking assets abroad, while additional amounts are financed by borrowing abroad; such types of financing are estimated to have accounted for the total in 1963 and for about two-fifths in 1962 and 1961. The net movements remaining after the above financing are included in the items of "other capital movements" appropriate to their term, contributing between $40 and $50 millions to the outward movement in long term forms in 1962 and 1963, and somewhat less than half this amount in 1961.

CAPITAL MOVEMENTS IN SHORT TERM FORMS — Capital movements in short-term forms, apart from changes in official holdings of gold, foreign exchange and net International Monetary Fund position, led to a net inflow of $83 million in 1963. In 1962 the comparable group of movements led to an inflow of $332 million.

Canadian dollar deposits of non-residents rose by $40 million in 1963 as a result of large increases in the second and fourth quarters, partially offset by decreases in the first and third quarters. About seventy per cent of the increase was in deposits of residents of the United States but it may be noted that there was a decrease nearly as large in holdings of Canadian treasury bills by residents of that country. Canadian dollar deposits of non-residents at the year end were of the order of $520 million. These deposit liabilities included about $320 million payable to residents of the United States, $60 million payable to residents of the United Kingdom and about $70 million payable to residents of Continental Europe.

Government of Canada demand liabilities payable to non-residents rose during the year by $1 million. The amount outstanding at the year end totalled $26 million, mainly in the form of interest free demand notes issued to international investment agencies.

Holdings by non-residents of Canadian treasury bills were reduced by $27 million in 1963. By the end of the year the holdings had been reduced to $39 million of which $21 million were those of residents of the United States. More than half the remainder were obligations to international investment agencies. The year end holdings were lower than for any month-end in the past five years. At their month-end peak in April 1961 they reached $163 million.

Sales to non-residents of Canadian treasury bills aggregated $312 million in 1963, with repurchases and maturities totalling $339 million. In 1962 when the volume was at peak levels, the corresponding totals were $460 million and $456 million. Outflows in the second and fourth quarters of 1963 were partially offset by inflows in the other quarters.

Other types of Canadian money-market instruments which were important in short-term capital movements between Canada and other countries in 1963 included Canadian commercial and finance paper. Some $138 million of the former was reported to have been sold to non-residents, but repurchases and maturities are estimated to have totalled $161 million, giving rise to a net capital outflow of $23 million. Transactions in Canadian finance paper, on the other hand, gave rise to an inflow of $47 million reflecting gross sales to non-residents of $340 million and repurchases and maturities totalling $293 million. Additionally Canadian finance companies borrowed some $49 million in forms not shown elsewhere in the balance of payments. A related form of capital movement (which is not shown separately in the tables) was the net sale to non-residents on a buy-back basis of about $9 million of Government of Canada obligations of an original term of over one year. The volume of such transactions was of the order of $40 million in 1963 in contrast to 1962 when it exceeded $350 million.

Capital movements of a money market character are determined primarily by short-term interest rates. Money market instruments vary as to term, currency, credit risk, etc, while the lenders vary also in character, requirements and relationships. A wide variety of interest differentials may, therefore, be appropriate to a consideration of the capital flows, but treasury bill yields in Canada and in the United States may serve as a bell-wether.

Yields on 91-day Canadian treasury bills were at their highest in the early part of the year as they continued their descent from the very high level of 5.51 per cent per annum established on July 19, 1962. By January 3, 1963 the yield was 3.94 per cent and it trended downward to 3.19 per cent on May 30 and again on June 13. Consonant with later developments, to some of which reference has already been made, the yield then rose, reaching 3.78 per cent on September 12. With the announcement of major wheat export contracts yields showed some tendency to decline until mid-October but by the end of the year they had regained the level of mid-September. The range through the year was three-quarters of one per cent. In contrast to the situation in Canada where yields were at their highest at the beginning of the year, yields on 3-month treasury bills of the United States were at their lowest point. From 2.83 per cent yields tended to rise through the year, reaching 3.52 per cent in November and closing the year near that figure. The differential in favour of Canadian bills, without allowance for the cost of exchange protection, was at its high of 1.11 per cent at the beginnin of the year, nearly disappearing in October and then rising to 0.27 per cent at the year-end.

The cost of forward exchange cover for United States dollars ranged between one half and one per cent in the first four months of the year but then declined to negligible proportions except for a period in the summer. The protected differential exceeded one-half of one per cent only briefly in January and April. Theoretically movements of interest arbitrage capital should continue to a point where the cost of exchange protection offsets any remaining interest differential. In practice nominal differentials are often too narrow to motivate transactions. Moreover, not all purchases by non-residents of Canadian money market instruments are hedged by forward exchange contracts. Some investors may choose to accept the risk of exchange rate fluctuations; others may have an ultimate use for the currency and may therefore not be concerned with the repatriation of maturities.

The bank balances and other short-term funds held abroad by Canadian residents increased during 1963 leading to a net capital outflow of $252 million. This movement is in accordance with the trend since World War II which was reversed in 1961 and 1962 by capital inflows of $140 million and $94 million respectively. Holdings of these assets in 1963 advanced to a record year-end total of about $1.3 billion. There were wide fluctuations in movements throughout 1963 with capital outflows rising steeply up to the end of the third quarter when a reversal occurred resulting in a small inflow of $23 million.

Apart from the items specified, the final category "all other transactions including changes in loans and accounts receivable and payable" also covers flows in the short-term element of export credits and includes the balancing item representing the difference between direct measurements of the current and capital accounts. The net balance for these items in 1963 was an inflow of $248 million, half of which was concentrated in the second quarter with the remainder largely split between the first and fourth quarters of the year.

Official Holdings of Gold and Foreign Exchange

Canada's external reserves rose by a smaller amount in 1963 than in either 1961 or 1962. Official holdings of gold and foreign exchange increased by $60 million and Canada's net International Monetary Fund position by $86 million.

United States Dollar in Canada

Period		High	Low	Close	Noon average
		Canadian cents			
1962	IV Q	107.81	107.53	107.72	107.63
1963	I Q	107.94	107.59	107.81	107.76
	II Q	107.97	107.59	107.81	107.74
	III Q	108.57	107.63	107.78	108.08
	IV Q	108.09	107.72	108.06	107.83

Most of Canada's official holdings of gold and foreign exchange take the form of gold and United States funds. Expressed in terms of United States dollars, these holdings rose from $2,539 million at the end of 1962 to $2,595 million at the end of 1963. The peak month-end was May when holdings totalled $2,712 million. A sharp drop from $2,692 million to $2,501 million occurred in July. In that month Canada made a partial repayment of nearly $80 million to the International Monetary Fund, but the greater part of the decline occurred in a short period following the Presidential proposal to the United States Congress for the imposition of the "Interest Equalization Tax" and prior to the announcement that Canadian new issues were to be exempted. Later in the third quarter major contracts for the sale of Canadian wheat were announced, and by the end of the quarter official holdings of gold and foreign exchange were rising rapidly.

On a quarterly basis, and expressed in Canadian funds, official holdings of gold and foreign exchange rose by $66 million and $111 million in the first and second quarters respectively, fell by $145 million in the third quarter, and rose by $28 million in the final quarter of the year. Offsetting part of the decline in the third quarter was an increase of $86 million in Canada's net position in the International Monetary Fund. Details of those transactions were given in the report for the third quarter.

Official Holdings of Gold and United States Dollars, and Related Items

End of period		Official holdings of Gold and United States Dollars	Net International Monetary Fund Position	Other Special International Financial Assistance(1)	Total of Foregoing Items
		millions of United States dollars			
1962	I Q	1,709	202	-	1,911
	II Q	1,809	- 138	- 350	1,321
	III Q	2,445	- 138	- 350	1,957
	IV Q	2,539	- 138	-	2,401
1963	I Q	2,600	- 138	-	2,462
	II Q	2,692	- 138	-	2,554
	III Q	2,568	- 58	-	2,510
	IV Q	2,595	- 58	-	2,537
	October	2,581	- 58	-	2,523
	November	2,631	- 58	-	2,573
	December	2,595	- 58	-	2,537

(1) A minus sign (-) indicates assistance to Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1962 / 1963 are preliminary and data for 1961 are subject to revision

No.		1961 IV	1962 I	1962 II	1962 III
		millions of dollars			
A	**Current receipts:**				
1	Merchandise exports (adjusted)	1,619	1,395	1,620	1,628
3	Gold production available for export	38	43	42	39
4	Travel expenditures	85	46	126	294
5	Interest and dividends	74	33	52	44
6	Freight and shipping	129	104	128	133
7	Inheritances and immigrants' funds	25	20	31	42
11	All other current receipts	98	107	104	108
12	**Total current receipts**	2,068	1,748	2,103	2,288
B	**Current payments:**				
1	Merchandise imports (adjusted)	1,559	1,402	1,665	1,559
4	Travel expenditures	125	130	178	200
5	Interest and dividends	222	179	205	163
6	Freight and shipping	159	125	153	158
7	Inheritances and emigrants' funds	47	34	40	44
9	Official contributions	20	7	12	5
11	All other current payments	208	204	212	193
12	**Total current payments**	2,340	2,081	2,465	2,322
	Balance on merchandise trade	+ 60	- 7	- 45	+ 69
	Balance on other transactions, excluding B9	- 312	- 319	- 305	- 98
	Official contributions	- 20	- 7	- 12	- 5
C	**Current account balance**	- 272	- 333	- 362	- 34
D	**Capital account:**				
	Direct investment:				
1	Direct investment in Canada	+ 106	+ 114	+ 87	+ 147
2	Direct investment abroad	- 17	- 29	- 31	- 25
	Canadian securities:				
3 a	Trade in outstanding bonds and debentures	+ 9	- 3	+ 4	+ 39
3 b	Trade in outstanding common and preference stocks	- 5	- 14	- 44	- 26
4	New issues	+ 118	+ 53	+ 194	+ 85
5	Retirements	- 106	- 72	- 71	- 53
6,7,8	Foreign securities	- 15	- 26	- 34	- 7
	Loans by Government of Canada:				
9	Drawings	-	-	-	- 7
10	Repayments	+ 27	+ 3	+ 7	+ 68
	Change in Canadian dollar holdings of foreigners:				
14 a	Deposits	+ 35	- 45	- 13	- 46
14 b	Government of Canada demand liabilities	- 2	- 3	- 2	- 3
14 c	Canadian treasury bills	+ 18	+ 18	+ 50	- 3
17	Other capital movements	+ 239	- 37	- 419	+ 551
E	**Net capital movement,** exclusive of change in official holdings of gold and foreign exchange	+ 407	- 41	- 272	+ 720
H	Official holdings of gold and foreign exchange:				
1	Change in holdings	+ 135	- 364	+ 114	+ 686
2	Net International Monetary Fund position	-	- 10	- 367	-
3	Other special international financial assistance	-	-	- 381	-

Notes: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1962 / 1963 are preliminary and data for 1961 are subject to revision

1962	1963				Annual Totals				
IV	I	II	III	IV	1960	1961	1962	1963	No.
	millions of dollars								
									A
1,721	1,482	1,772	1,801	2,009	5,392	5,889	6,364	7,064	1
41	45	41	38	42	162	162	165	166	3
94	50	132	320	100	420	482	560	602	4
82	43	56	43	86	173	209	211	228	5
133	114	139	143	154	442	486	498	550	6
31	27	38	48	36	102	103	124	149	7
107	110	111	112	111	419	403	426	444	11
2,209	1,871	2,289	2,505	2,538	7,110	7,734	8,348	9,203	12
									B
1,583	1,412	1,700	1,657	1,811	5,540	5,716	6,209	6,580	1
102	117	158	207	107	627	642	610	589	4
234	196	192	181	273	653	770	781	842	5
152	125	160	175	175	533	568	588	635	6
45	38	42	49	53	181	174	163	182	7
8	15	17	15	14	61	56	32	61	9
204	206	209	207	213	758	790	813	835	11
2,328	2,109	2,478	2,491	2,646	8,353	8,716	9,196	9,724	12
+ 138	+ 70	+ 72	+ 144	+ 198	- 148	+ 173	+ 155	+ 484	
- 249	- 293	- 244	- 115	- 292	-1,034	-1,099	- 971	- 944	
- 8	- 15	- 17	- 15	- 14	- 61	- 56	- 32	- 61	
- 119	- 238	- 189	+ 14	- 108	-1,243	- 982	- 848	- 521	C
									D
+ 207	+ 75	+ 40	+ 50	+ 45	+ 650	+ 520	+ 555	+ 210	1
- 40	- 25	- 25	- 15	- 15	- 50	- 75	- 125	- 80	2
+ 24	+ 23	+ 27	- 7	- 4	+ 3	+ 61	+ 64	+ 39	3 a
- 32	- 56	- 44	- 27	- 42	+ 51	+ 39	- 116	- 169	3 b
+ 386	+ 411	+ 393	+ 109	+ 51	+ 447	+ 538	+ 718	+ 964	4
- 125	- 54	- 174	- 34	- 65	- 265	- 300	- 321	- 327	5
- 3	+ 3	+ 23	- 4	- 2	- 19	- 34	- 70	+ 20	6,7,8
-	-	-	- 8	- 2	-	-	- 7	- 10	9
+ 51	-	+ 6	-	+ 19	+ 32	+ 37	+ 129	+ 25	10
+ 92	- 29	+ 38	- 12	+ 43	+ 79	+ 34	- 12	+ 40	14 a
+ 4	-	- 3	- 1	+ 5	- 12	- 2	- 4	+ 1	14 b
- 61	+ 9	- 17	+ 19	- 38	+ 56	- 58	+ 4	- 27	14 c
+ 94	- 53	+ 36	- 143	+ 141	+ 232	+ 512	+ 189	- 19	17
+ 597	+ 304	+ 300	- 73	+ 136	+1,204	+1,272	+1,004	+ 667	E
									H
+ 101	+ 66	+ 111	- 145	+ 28	- 39	+ 229	+ 537	+ 60	1
-	-	-	+ 86	-	-	+ 61	- 377	+ 86	2
+ 377	-	-	-	-	-	-	- 4	-	3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly short-term capital movements in the form of changes in international open account commercial indebtedness, private and chartered bank holdings of exchange, and loans between private unrelated parties. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

TABLE I. Current and Capital Accounts of the Canadian Balance of International Payments, 1960, 1961 and 1962

No.	Account	All countries			United States		
		1960	1961[P]	1962[P]	1960	1961[P]	1962[P]
		millions of dollars					
A	**Current receipts:**						
1	Merchandise exports (adjusted)	5,392	5,889	6,364	3,040	3,213	3,742
2	Mutual Aid to NATO countries	43	35	41	..	..	..
3	Gold production available for export	162	162	165	162	162	165
4	Travel expenditures	420	482	560	375	435	510
5	Interest and dividends	173	209	211	102	109	124
6	Freight and shipping	442	486	498	220	230	260
7	Inheritances and immigrants' funds	102	103	124	50	51	61
11	All other current receipts	419	403	426	330	310	321
12	**Total current receipts**	**7,153**	**7,769**	**8,389**	**4,279**	**4,510**	**5,183**
B	**Current payments:**						
1	Merchandise imports (adjusted)	5,540	5,716	6,209	3,713	3,828	4,217
4	Travel expenditures	627	642	610	462	459	420
5	Interest and dividends	653	770	781	531	642	655
6	Freight and shipping	533	568	588	324	333	350
7	Inheritances and emigrants' funds	181	174	163	141	134	127
9	Official contributions	61	56	32	—	—	—
10	Mutual Aid to NATO countries	43	35	41	..	..	..
11	All other current payments	758	790	813	469	500	530
12	**Total current payments**	**8,396**	**8,751**	**9,237**	**5,640**	**5,896**	**6,299**
	Balance on merchandise trade	− 148	+ 173	+155	− 673	− 615	− 475
	Balance on other transactions, excluding B9	−1,034	−1,099	−971	− 688	− 771	− 641
	Official contributions	− 61	− 56	− 32	—	—	—
C	**Current account balance**	**−1,243**	**− 982**	**−848**	**−1,361**	**−1,386**	**−1,116**
D	**Capital account:**						
	Direct investment:						
1	Direct investment in Canada	+ 650	+ 520	+555	+ 446	+ 328	+ 354
2	Direct investment abroad	− 50	− 75	−125	− 19	− 22	+ 6
	Canadian securities:						
3a	Trade in outstanding bonds and debentures	+ 3	+ 61	+ 64	− 9	+ 74	+ 83
3b	Trade in outstanding common and preference stocks	+ 51	+ 39	−116	+ 56	+ 122	− 11
4	New issues	+ 447	+ 538	+718	+ 381	+ 479	+ 679
5	Retirements	− 265	− 300	−321	− 214	− 219	− 244
	Foreign securities:						
6	Trade in outstanding issues	− 19	− 5	− 74	+ 5	+ 7	− 66
7	New issues	− 18	− 38	− 16	− 13	− 19	− 12
8	Retirements	+ 18	+ 9	+ 20	+ 12	+ 5	+ 16
	Loans by Government of Canada:						
9	Drawings	—	—	− 7	—	—	− 7
10	Repayment of postwar loans	+ 32	+ 37	+129	—	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies	− 3	—	− 1	− 3	—	− 1
14	Change in Canadian dollar holdings of foreigners	+ 120	− 35	− 24	+ 60	− 22	+ 24
15	Special international financial assistance	—	—	+330	—	—	+ 3
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus)	+ 39	− 229	−537	+ 39	− 227	− 538
17	Other capital movements	+ 238	+ 460	+253	+ 285	+ 621	+ 259
E	**Net capital movement**	**+1,243**	**+ 982**	**+848**	**+1,026**	**+1,127**	**+ 545**
G	**Balance settled by exchange transfers**	—	—	—	**+ 335**	**+ 259**	**+ 571**
	Total financing of current account balance (item C)	**+1,243**	**+ 982**	**+848**	**+1,361**	**+1,386**	**+1,116**

Notes:

A2, B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

TABLE I. Current and Capital Accounts of the Canadian Balance of International Payments, 1960, 1961 and 1962

United Kingdom			Other sterling area			Other OECD countries			All other countries			
1960	1961p	1962p	1960	1961p	1962p	1960	1961p	1962p	1960	1961p	1962p	No.
millions of dollars												
924	924	924	340	331	338	591	618	624	497	803	736	A 1
..	..	..	..	..	..	..	..	..	..	..	..	2
—	—	—	—	—	—	—	—	—	—	—	—	3
20	21	22	6	7	8	13	13	14	6	6	6	4
32	34	35	18	43	29	12	13	12	9	10	11	5
93	100	92	31	27	28	57	67	64	41	62	54	6
26	25	28	6	6	8	15	15	19	5	6	8	7
50	49	50	8	10	10	19	21	24	12	13	21	11
1,145	**1,153**	**1,151**	**409**	**424**	**421**	**707**	**747**	**757**	**570**	**900**	**836**	12
611	593	575	284	298	329	371	416	460	561	581	628	B 1
70	71	72	14	21	25	65	72	74	16	19	19	4
83	86	82	1	1	1	36	39	41	2	2	2	5
89	93	89	4	4	4	99	114	120	17	24	25	6
25	23	18	2	4	4	11	11	11	2	2	3	7
3	—	—	42	49	25	4	1	1	12	6	6	9
..	..	..	..	..	..	..	..	..	..	..	..	10
98	100	102	19	20	22	135	125	120	37	45	39	11
979	**966**	**938**	**366**	**397**	**410**	**721**	**778**	**827**	**647**	**679**	**722**	12
+313	+331	+349	+ 56	+ 33	+ 9	+220	+202	+164	−64	+222	+108	
−144	−144	−136	+ 29	+ 43	+27	−230	−232	−233	− 1	+ 5	+ 12	
− 3	—	—	− 42	− 49	−25	− 4	− 1	− 1	−12	− 6	− 6	
+166	**+187**	**+213**	**+ 43**	**+ 27**	**+11**	**− 14**	**− 31**	**− 70**	**−77**	**+221**	**+114**	C
+115	+127	+ 83	+ 6	+ 8	+ 6	+ 82	+ 55	+106	+ 1	+ 2	+ 6	D 1
− 14	− 16	− 25	− 3	− 20	−44	− 16	—	− 37	+ 2	− 17	− 25	2
− 13	− 12	—	—	—	—	+ 25	− 1	− 19	—	—	—	3a
− 17	− 61	− 65	—	− 3	—	+ 12	− 19	− 40	—	—	—	3b
+ 27	+ 24	+ 18	—	—	—	+ 38	+ 20	+ 21	+ 1	+ 15	—	4
− 27	− 41	− 42	—	—	—	− 23	− 20	− 35	− 1	− 20	—	5
− 2	− 10	− 2	—	—	—	− 1	− 2	− 8	−21	—	+ 2	6
—	− 2	—	− 1	− 13	—	—	—	—	− 4	− 4	− 4	7
—	—	—	+ 1	+ 1	+ 1	—	—	—	+ 5	+ 3	+ 3	8
—	—	—	—	—	—	—	—	—	—	—	—	9
+ 17	+ 17	+ 17	—	+ 5	+ 5	+ 15	+ 15	+107	—	—	—	10
—	—	—	—	—	—	—	—	—	—	—	—	13
+ 9	+ 1	− 13	− 3	+ 3	− 1	+ 7	+ 20	− 30	+47	− 37	− 4	14
—	—	+ 1	—	—	—	—	—	—	—	—	+326	15
—	− 2	+ 1	—	—	—	—	—	—	—	—	—	16
− 36	+ 33	− 10	− 9	—	−19	+ 18	− 25	− 11	−20	−169	+ 34	17
+ 59	**+ 58**	**− 37**	**− 9**	**− 19**	**−52**	**+157**	**+ 43**	**+ 54**	**+10**	**−227**	**+338**	E
−225	**−245**	**−176**	**− 34**	**− 8**	**+41**	**−143**	**− 12**	**+ 16**	**+67**	**+ 6**	**−452**	G
−166	**−187**	**−213**	**− 43**	**− 27**	**−11**	**+ 14**	**+ 31**	**+ 70**	**+77**	**−221**	**−114**	

Notes:

D 13 International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.

D 17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961[P]	1962[P]
		millions of dollars																
A	**Current receipts:**																	
1	Merchandise exports (adjusted)	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,36
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43	35	4
3	Gold production available for export	98	99	119	139	163	150	150	144	155	155	150	147	160	148	162	162	16
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	391	420	482	56
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	168	182	173	209	21
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	420	442	486	49
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	97	109	102	103	12
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	392	419	403	42
12	**Total current receipts**	3,365	3,748	4,147	4,089	4,297	5,311	5,858	5,737	5,520	6,072	6,621	6,622	6,579	6,855	7,153	7,769	8,38
B	**Current payments:**																	
1	Merchandise imports (adjusted)	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,20
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	542	598	627	642	61
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	671	653	770	78
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	525	533	568	58
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	145	165	181	174	18
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	40	53	72	61	56	3
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43	35	4
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	693	758	790	81
12	**Total current payments**	3,002	3,699	3,696	3,912	4,631	5,828	5,694	6,180	5,952	6,770	7,987	8,077	7,710	8,359	8,396	8,751	9,23
	Balance on merchandise trade	+571	+188	+432	+293	+ 10	−147	+489	− 58	+ 13	−211	− 728	− 594	− 179	− 422	− 148	+173	+15
	Balance on other transactions, excluding B9	−111	−101	+ 42	−110	−339	−361	−309	−360	−434	−463	− 608	− 821	− 899	−1,010	−1,034	−1,099	−97
	Official contributions	− 97	− 38	− 23	− 6	− 5	− 9	− 16	− 25	− 11	− 24	− 30	− 40	− 53	− 72	− 61	− 56	− 3
C	**Current account balance**	+363	+ 49	+451	+177	−334	−517	+164	−443	−432	−698	−1,366	−1,455	−1,131	−1,504	−1,243	− 982	−8
D	**Capital account:**																	
	Direct investment:																	
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+222	+309	+346	+426	+392	+417	+ 583	+ 514	+ 420	+ 550	+ 650	+ 520	+5
2	Direct investment abroad	− 14	+ 6	+ 15	+ 13	+ 36	− 20	− 77	− 63	− 81	− 74	− 104	− 68	− 48	− 80	− 50	− 75	−1
	Canadian securities:																	
3a	Trade in outstanding bonds and debentures	+194	− 13	+ 3	+ 8	+329	+ 38	−166	− 52	− 66	−165	+ 11	− 45	—	+ 91	+ 3	+ 61	+ 6
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+129	+138	+ 188	+ 137	+ 88	+ 110	+ 51	+ 39	−1
4	New issues	+218	+ 95	+150	+105	+210	+411	+316	+335	+331	+166	+ 667	+ 798	+ 677	+ 707	+ 447	+ 538	+7
5	Retirements	-539	−364	−114	−147	−284	−184	− 89	−146	−203	−184	− 141	− 133	− 158	− 258	− 265	− 300	−3
	Foreign securities:																	
6	Trade in outstanding issues	+ 25	+ 1	− 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 24	+ 13	− 32	− 19	− 5	−
7	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 20	− 23	− 33	− 48	− 18	− 24	− 17	− 13	− 18	− 38	−
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	—	+ 1	+ 2	+ 17	—	+ 6	+ 7	+ 12	+ 18	+ 9	+
	Loans by Government of Canada:																	
9	Drawings	−750	−565	−142	−120	− 50	—	—	—	—	—	—	—	− 34	− 1	—	—	-
10	Repayment of postwar loans	—	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 20	+ 34	+ 34	+ 32	+ 37	+1
11	Repayment of war loans	+ 94	+109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	—	—	--	
13	Subscriptions in gold and U.S. dollars to international financial agencies	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	− 59	− 3	—	-
14	Change in Canadian dollar holdings of foreigners	+ 70	− 26	− 21	+ 40	+233	−192	− 66	− 18	+ 34	+ 89	− 24	− 35	+ 106	+ 13	+ 120	− 35	-
15	Special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	+3
16	Change in official holdings of gold and foreign exchange (increase, minus)	+267	+742	−492	−128	−722	− 56	− 37	+ 38	−124	+ 44	− 33	+ 105	− 109	+ 70	+ 39	− 229	−5
17	Other capital movements	+ 31	− 27	+ 7	− 80	+210	+128	−511	−185	− 28	+204	+ 152	+ 126	+ 122	+ 360	+ 238	+ 460	+2
E	**Net capital movement**	−363	− 49	−451	−177	+334	+517	−164	+443	+432	+698	+1,366	+1,455	+1,131	+1,504	+1,243	+982	+8

Notes: D 17 Includes for years 1946 to 1950 transactions shown separately under items D 12 and 15 in *The Canadian Balance of International Payments in the Pos Years, 1946-1952.*

For other notes applicable to this table see notes to Table I.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961[P]	1962[P]
		millions of dollars																
	Current receipts:																	
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931	2,908	3,191	3,040	3,213	3,742
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162	162	165
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351	375	435	510
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	99	102	109	124
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	222	206	228	220	230	260
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	52	50	51	61
1	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	303	280	311	330	310	321
2	**Total current receipts**	**1,567**	**1,712**	**2,247**	**2,269**	**2,877**	**3,178**	**3,274**	**3,443**	**3,306**	**3,700**	**4,015**	**4,070**	**4,010**	**4,380**	**4,279**	**4,510**	**5,183**
	Current payments:																	
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878	3,443	3,727	3,713	3,828	4,217
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	448	462	459	420
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	547	531	642	655
3	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	326	324	333	350
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104	123	141	134	127
1	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	439	469	500	530
1	**Total current payments**	**2,174**	**2,846**	**2,640**	**2,870**	**3,277**	**4,129**	**4,123**	**4,347**	**4,113**	**4,735**	**5,654**	**5,649**	**5,186**	**5,610**	**5,640**	**5,896**	**6,299**
	Balance on merchandise trade	−430	− 890	−289	−378	− 47	−516	− 471	−588	−445	− 685	−1,167	− 947	− 535	− 536	− 673	− 615	− 475
	Balance on other transactions	−177	− 244	−104	−223	−353	−435	− 378	−316	−362	− 350	− 472	− 632	− 641	− 694	− 688	− 771	− 641
	Current account balance	**−607**	**−1,134**	**−393**	**−601**	**−400**	**−951**	**− 849**	**−904**	**−807**	**−1,035**	**−1,639**	**−1,579**	**−1,176**	**−1,230**	**−1,361**	**−1,386**	**−1,116**
	Capital account:																	
	Direct investment:																	
	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+200	+270	+ 319	+346	+288	+ 306	+ 406	+ 390	+ 303	+ 424	+ 446	+ 328	+ 354
	Direct investment abroad	− 7	+ 6	+ 15	+ 16	+ 41	− 4	− 42	− 33	− 46	− 56	− 70	− 35	− 3	− 7	− 19	− 22	+ 6
	Canadian securities:																	
a	Trade in outstanding bonds and debentures	+241	− 3	+ 5	+ 25	+362	+ 20	− 170	− 85	− 87	− 159	− 35	− 70	− 10	+ 19	− 9	+ 74	+ 83
b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 75	+ 56	+ 122	− 11
	New issues	+218	+ 95	+150	+105	+210	+404	+ 315	+322	+299	+ 127	+ 601	+ 722	+ 600	+ 622	+ 381	+ 479	+ 679
	Retirements	−460	− 313	− 96	−136	−263	−159	− 75	−132	−184	− 169	− 133	− 105	− 132	− 211	− 214	− 219	− 244
	Foreign securities:																	
	Trade in outstanding issues	+ 21	− 2	− 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	− 34	+ 5	+ 7	− 66
	New issues	− 4	− 3	− 3	− 4	− 2	− 3	− 5	− 18	− 3	− 8	− 13	− 15	− 13	− 8	− 13	− 19	− 12
	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	—	+ 1	+ 1	+ 2	—	+ 4	+ 4	+ 6	+ 12	+ 5	+ 16
	Loans by Government of Canada:																	
	Drawings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	− 7
	Subscriptions in gold and U.S. dollars to international financial agencies	− 8	− 74	—	—	—	—	—	—	—	—	− 4	—	—	− 59	− 3	—	− 1
	Change in Canadian dollar holdings of foreigners	+ 27	− 3	− 14	− 8	+ 89	− 53	− 37	− 1	+ 19	+ 66	− 48	− 10	+ 83	+ 8	+ 60	− 22	+ 24
	Special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	+ 3
	Change in official holdings of gold and U.S. dollars (increase, minus)	+251	+ 743	−496	−134	−694	− 39	− 80	+ 42	−121	+ 42	− 34	+ 104	− 108	+ 67	+ 39	− 227	− 538
	Other capital movements	+ 8	− 2	+ 1	− 38	+249	+ 59	− 458	−223	+ 18	+ 151	+ 107	+ 58	+ 147	+ 447	+ 285	+ 621	+ 259
	Net capital movement	**+331**	**+ 505**	**−385**	**− 70**	**+267**	**+515**	**− 158**	**+241**	**+277**	**+ 425**	**+ 856**	**+1,068**	**+ 952**	**+1,349**	**+1,026**	**+1,127**	**+ 545**
	Balance settled by exchange transfers	**+276**	**+ 629**	**+778**	**+671**	**+133**	**+436**	**+1,007**	**+660**	**+530**	**+ 610**	**+ 783**	**+ 511**	**+ 224**	**− 119**	**+ 335**	**+ 259**	**+ 571**
	Total financing of current account balance (item C)	**+607**	**+1,134**	**+393**	**+601**	**+400**	**+951**	**+ 849**	**+904**	**+807**	**+1,035**	**+1,639**	**+1,579**	**+1,176**	**+1,230**	**+1,361**	**+1,386**	**+1,116**

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 – Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961[P]	1962
		millions of dollars																
A	**Current receipts:**																	
1	Merchandise exports (adjusted)....	626	749	703	701	469	636	727	656	660	772	818	734	766	781	924	924	92
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	18	20	21	2
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	35	32	34	3
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	80	93	100	9
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	26	26	25	2
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	43	50	49	5
12	**Total current receipts**	**840**	**967**	**922**	**897**	**590**	**821**	**925**	**830**	**836**	**982**	**1,015**	**938**	**960**	**983**	**1,145**	**1,153**	**1,1**
B	**Current payments:**																	
1	Merchandise imports (adjusted)....	138	182	287	300	399	417	350	463	391	406	493	520	537	618	611	593	5
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	62	70	71	
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	90	83	86	
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	85	89	93	
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	26	25	23	
9	Official contributions.....	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3	–	
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	89	98	100	1
12	**Total current payments**	**340**	**334**	**436**	**451**	**566**	**598**	**537**	**697**	**607**	**652**	**763**	**820**	**856**	**970**	**979**	**966**	**9**
	Balance on merchandise trade	+488	+567	+416	+401	+70	+219	+377	+193	+269	+366	+325	+214	+229	+163	+313	+331	+3
	Balance on other transactions, excluding B9	+ 12	+ 66	+ 70	+ 45	–46	+ 4	+ 11	– 60	– 40	– 36	– 73	– 96	–125	–150	–144	–144	–1
	Official contributions.....	–	–	–	–	–	–	–	–	–	–	–	–	–	–	– 3	–	
C	**Current account balance**	**+500**	**+633**	**+486**	**+446**	**+24**	**+223**	**+388**	**+133**	**+229**	**+330**	**+252**	**+118**	**+104**	+ 13	**+166**	**+187**	+

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	**Current receipts:**																	
1	Merchandise exports (adjusted)....	269	366	293	300	201	265	293	251	206	254	256	246	299	288	340	331	3
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	6	6	7	
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	28	18	43	
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	26	31	27	
7	Inheritances and immigrants' funds	–	1	2	1	1	3	3	4	4	4	5	8	13	7	6	6	
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	7	8	10	
12	**Total current receipts**	**309**	**416**	**338**	**340**	**234**	**301**	**331**	**296**	**255**	**318**	**324**	**315**	**363**	**362**	**409**	**424**	
B	**Current payments:**																	
1	Merchandise imports (adjusted)....	129	160	192	187	244	310	185	172	183	211	222	239	212	263	284	298	
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	13	14	21	
5	Interest and dividends	1	1	1	1	–	–	–	–	–	1	1	1	1	1	1	1	
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2	3	3	4	4	
7	Inheritances and emigrants' funds	–	–	1	2	1	1	1	1	1	1	1	2	2	3	2	4	
9	Official contributions.....	5	–	–	–	–	–	15	18	8	22	28	38	49	64	42	49	
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	17	19	20	
12	**Total current payments**	**145**	**174**	**209**	**205**	**257**	**325**	**217**	**213**	**211**	**258**	**276**	**311**	**294**	**364**	**366**	**397**	
	Balance on merchandise trade	+140	+206	+101	+113	–43	–45	+108	+79	+23	+43	+34	+ 7	+87	+25	+56	+33	
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+20	+21	+ 21	+22	+29	+39	+42	+35	+31	+37	+29	+43	
	Official contributions.....	– 5	–	–	–	–	–	– 15	–18	– 8	–22	–28	–38	–49	–64	–42	–49	
C	**Current account balance**	**+164**	**+242**	**+129**	**+135**	**–23**	**–24**	**+114**	**+83**	**+44**	**+60**	**+48**	**+ 4**	**+69**	**– 2**	**+43**	**+27**	

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 — Concluded

E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

o.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961[P]	1962[P]
		millions of dollars																
	Current account balance	**+664**	**+875**	**+615**	**+581**	**+ 1**	**+199**	**+502**	**+216**	**+273**	**+390**	**+300**	**+122**	**+173**	**+11**	**+209**	**+214**	**+224**
	Capital account:																	
	Direct investment:																	
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 91	+ 86	+121	+135	+ 89
2	Direct investment abroad	− 10	− 3	− 2	− 3	− 4	− 6	− 19	− 22	− 23	− 9	− 27	− 11	− 16	− 52	− 17	− 36	− 69
	Canadian securities:																	
3a	Trade in outstanding bonds and debentures	− 48	− 11	− 4	− 16	− 35	− 16	+ 3	+ 20	—	− 2	+ 11	—	+ 3	+ 4	− 13	− 12	—
3b	Trade in outstanding common and preference stocks							− 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4	+ 7	− 17	− 64	− 65
4	New issues	—	—	—	—	—	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+41	+45	+ 27	+ 24	+ 18
5	Retirements	− 77	− 42	− 14	− 10	− 19	− 24	− 9	− 11	− 17	− 11	− 2	− 21	−16	−30	− 27	− 41	− 42
	Foreign securities:																	
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	—	+ 3	+ 3	+ 2	− 9	+ 4	+ 2	+ 2	+ 2	− 2	− 10	− 2
7	New issue	—	—	—	—	—	—	—	—	− 1	− 21	—	—	—	—	− 1	− 15	—
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	—	—	+ 1	—	—	—	+ 1	+ 2	+ 1	+ 1	+ 1
	Loans by Government of Canada:																	
9	Drawings	−540	−423	− 52	−120	− 50	—	—	—	—	—	—	—	−34	− 1	—	—	—
0	Repayment of postwar loans	—	—	—	—	—	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	—	+ 16	+16	+ 17	+ 22	+ 22
1	Repayment of war loans	+ 89	+104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	—	—	—	—
4	Change in Canadian dollar holdings of foreigners	+ 32	− 4	− 20	+ 62	+116	−128	− 22	− 17	+ 6	+ 11	+ 14	− 20	+ 9	−19	+ 6	+ 4	− 14
5	Special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	+ 1
	Change in official holding of sterling (increase, minus)	+ 16	− 1	+ 4	+ 6	− 28	− 17	+ 43	− 4	− 3	+ 2	+ 1	+ 1	− 1	+ 3	—	− 2	+ 1
	Other capital movements	+ 39	+ 16	+ 18	− 27	− 39	+ 82	− 62	+ 37	− 32	+ 60	+ 9	+ 33	− 39	− 6	− 45	+ 33	− 29
	Net capital movement	**−491**	**−357**	**+ 7**	**− 87**	**+ 13**	**− 23**	**− 16**	**+129**	**+ 94**	**+177**	**+261**	**+228**	**+ 91**	**+57**	**+ 50**	**+ 39**	**− 89**
	Balance settled by exchange transfers:																	
	Official settlements	−150	−505	−597	−466	+ 4	−165	−486	−345	−367	−567	−561	−350	−264	−68	−259	−253	−135
	Private settlements	− 23	− 13	− 25	− 28	− 18	− 11											
	Total financing of current account balance (item C)	**−664**	**−875**	**−615**	**−581**	**− 1**	**−199**	**−502**	**−216**	**−273**	**−390**	**−300**	**−122**	**−173**	**−11**	**−209**	**−214**	**−224**

TABLE III. Current Account Between Canada and All Countries, 1926-62

Year	Current receipts[1]	Current payments[2]	Balance including Mutual Aid Exports	Wartime grants and Mutual Aid	Balance on current account indicating net movement of capital	Year	Current receipts[1]	Current payments[2]	Balance including Mutual Aid Exports	Wartime grants and Mutual Aid	Balance on current account indicating net movement of capital
	millions of dollars						millions of dollars				
3	1,665	1,538	+ 127	—	+ 127	1945	4,456	2,910	+1,546	−858	+ 688
7	1,633	1,643	− 10	—	− 10	1946	3,365	3,002	+ 363	—	+ 363
1	1,788	1,820	− 32	—	− 32	1947	3,748	3,699	+ 49	—	+ 49
	1,646	1,957	− 311	—	− 311	1948	4,147	3,696	+ 451	—	+ 451
	1,297	1,634	− 337	—	− 337	1949	4,089	3,912	+ 177	—	+ 177
	972	1,146	− 174	—	− 174	1950	4,297	4,574	− 277	− 57	− 334
	808	904	− 96	—	− 96	1951	5,311	5,683	− 372	−145	− 517
	829	831	− 2	—	− 2	1952	5,858	5,494	+ 364	−200	+ 164
	1,020	952	+ 68	—	+ 68	1953	5,737	5,934	− 197	−246	− 443
	1,145	1,020	+ 125	—	+ 125	1954	5,520	5,668	− 148	−284	− 432
	1,430	1,186	+ 244	—	+ 244	1955	6,072	6,548	− 476	−222	− 698
	1,593	1,413	+ 180	—	+ 180	1956	6,621	7,830	−1,209	−157	−1,366
	1,361	1,261	+ 100	—	+ 100	1957	6,622	7,970	−1,348	−107	−1,455
	1,457	1,331	+ 126	—	+ 126	1958	6,579	7,568	− 989	−142	−1,131
	1,776	1,627	+ 149	—	+ 149	1959	6,855	8,296	−1,441	− 63	−1,504
	2,458	1,967	+ 491	—	+ 491	1960	7,153	8,353	−1,200	− 43	−1,243
	3,376	2,275	+1,101	−1,002	+ 99	1961[P]	7,769	8,716	− 947	− 35	− 982
	4,064	2,858	+1,206	− 518	+ 688	1962[P]	8,389	9,196	− 807	− 41	− 848
	4,557	3,539	+1,018	− 960	+ 58						

[1] Including Mutual Aid exports.
[2] Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1960				1961[P]				1962[P]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	1,281	1,321	1,398	1,392	1,266	1,447	1,557	1,619	1,395	1,620	1,628	1,7
3	Gold production available for export	44	35	42	41	41	42	41	38	43	42	39	
4	Travel expenditures	36	91	221	72	39	103	255	85	46	126	294	
5	Interest and dividends	34	39	35	65	36	59	40	74	33	52	44	
6	Freight and shipping	102	115	118	107	102	120	135	129	104	128	133	1
7	Inheritances and immigrants' funds	18	29	31	24	19	28	31	25	20	31	42	
11	All other current receipts	100	107	111	101	103	103	99	98	107	104	108	1
12	**Total current receipts**	**1,615**	**1,737**	**1,956**	**1,802**	**1,606**	**1,902**	**2,158**	**2,068**	**1,748**	**2,103**	**2,288**	**2,2**
B	**Current payments:**												
1	Merchandise imports (adjusted)	1,324	1,508	1,316	1,392	1,260	1,478	1,419	1,559	1,402	1,665	1,559	1,5
4	Travel expenditures	119	168	213	127	129	168	220	125	130	178	200	1
5	Interest and dividends	145	161	157	190	204	174	170	222	179	205	163	2
6	Freight and shipping	114	137	141	141	116	142	151	159	125	153	158	1
7	Inheritances and emigrants' funds	38	43	50	50	35	43	49	47	34	40	44	
9	Official contributions	10	10	17	24	13	8	15	20	7	12	5	
11	All other current payments	191	187	189	191	186	200	196	208	204	212	193	2
12	**Total current payments**	**1,941**	**2,214**	**2,083**	**2,115**	**1,943**	**2,213**	**2,220**	**2,340**	**2,081**	**2,465**	**2,322**	**2,3**
	Balance on merchandise trade	− 43	−187	+ 82	—	+ 6	− 31	+138	+ 60	− 7	− 45	+ 69	+1
	Balance on other transactions, excluding B9	−273	−280	−192	−289	−330	−272	−185	−312	−319	−305	− 98	−2
	Official contributions	− 10	− 10	− 17	− 24	− 13	− 8	− 15	− 20	− 7	− 12	− 5	−
C	**Current account balance**	**−326**	**−477**	**−127**	**−313**	**−337**	**−311**	**− 62**	**−272**	**−333**	**−362**	**− 34**	**−1**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+205	+147	+159	+139	+137	+154	+123	+106	+114	+ 87	+147	+2
2	Direct investment abroad	− 7	− 13	− 21	− 9	− 26	− 21	− 11	− 17	− 29	− 31	− 25	−
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 19	+ 15	− 19	− 12	+ 30	+ 33	− 11	+ 9	− 3	+ 4	+ 39	+
3b	Trade in outstanding common and preference stocks	+ 13	+ 25	+ 10	+ 3	+ 12	+ 32	—	− 5	− 14	− 44	− 26	−
4	New issues	+212	+143	+ 52	+ 40	+105	+192	+123	+118	+ 53	+194	+ 85	+3
5	Retirements	− 58	− 80	− 34	− 93	− 73	− 89	− 32	−106	+ 72	− 71	− 53	−1
	Foreign securities:												
6	Trade in outstanding issues	+ 7	− 5	+ 3	− 24	+ 3	—	+ 2	− 10	− 29	− 35	− 7	−
7	New issues	− 3	− 2	− 3	− 10	− 5	− 19	− 7	− 7	− 2	− 4	− 5	−
8	Retirements	+ 6	+ 3	+ 7	+ 2	+ 2	+ 2	+ 3	+ 2	+ 5	+ 5	+ 5	+
	Loans by Government of Canada:												
9	Drawings	—	—	—	—	—	—	—	—	—	—	− 7	
10	Repayment of postwar loans	—	+ 7	—	+ 25	+ 3	+ 7	—	+ 27	+ 3	+ 7	+ 68	+
13	Subscriptions in gold and U.S. dollars to international financial agencies	—	—	− 1	− 2	—	—	—	—	—	—	—	−
14	Change in Canadian dollar holdings of foreigners	− 2	− 2	+ 45	+ 79	− 6	− 73	− 1	+ 45	− 31	+ 34	− 53	+
15	Special international financial assistance	—	—	—	—	—	—	—	—	—	+707	—	−
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 11	+ 82	− 40	− 14	−105	− 51	+ 62	−135	+364	−114	−686	−
17	Other capital movements	− 77	+157	− 31	+189	+260	+144	−189	+245	− 26	−377	+552	+
E	**Net capital movement**	**+326**	**+477**	**+127**	**+313**	**+337**	**+311**	**+ 62**	**+272**	**+333**	**+362**	**+ 34**	

Notes: Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA, since Mutual Aid to NATO countries is distributed by quarters.

For other notes applicable to this table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 — Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1960				1961[p]				1962[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Current receipts:												
1	Merchandise exports (adjusted)	769	765	769	737	677	770	864	902	858	945	961	978
3	Gold production available for export	44	35	42	41	41	42	41	38	43	42	39	41
4	Travel expenditures	32	74	205	64	35	85	238	77	42	107	276	85
5	Interest and dividends	26	23	28	25	25	23	31	30	25	26	31	42
6	Freight and shipping	51	59	59	51	49	55	64	62	58	67	69	66
7	Inheritances and immigrants' funds	9	12	17	12	10	13	16	12	9	15	23	14
11	All other current receipts	79	85	87	79	80	80	76	74	83	79	80	79
12	**Total current receipts**	**1,010**	**1,053**	**1,207**	**1,009**	**917**	**1,068**	**1,330**	**1,195**	**1,118**	**1,281**	**1,479**	**1,305**
	Current payments:												
1	Merchandise imports (adjusted)	941	1,003	852	917	883	990	937	1,018	994	1,136	1,031	1,056
4	Travel expenditures	91	131	151	89	92	130	150	87	92	138	123	67
5	Interest and dividends	109	132	126	164	163	146	141	192	142	174	133	206
6	Freight and shipping	65	87	88	84	65	85	91	92	70	92	97	91
7	Inheritances and emigrants' funds	32	32	38	39	30	31	37	36	29	30	34	34
11	All other current payments	115	117	117	120	117	121	125	137	134	136	127	133
12	**Total current payments**	**1,353**	**1,502**	**1,372**	**1,413**	**1,350**	**1,503**	**1,481**	**1,562**	**1,461**	**1,706**	**1,545**	**1,587**
	Current account balance	**−343**	**−449**	**−165**	**−404**	**−433**	**−435**	**−151**	**−367**	**−343**	**−425**	**− 66**	**−282**
	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+140	+111	+ 94	+101	+ 95	+ 86	+ 84	+ 63	+ 86	+ 68	+101	+ 99
2	Direct investment abroad	—	− 1	− 12	− 6	− 8	− 5	− 4	− 5	—	—	+ 4	+ 2
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 4	+ 3	− 16	—	+ 18	+ 33	+ 9	+ 14	− 7	+ 27	+ 42	+ 21
3b	Trade in outstanding common and preference stocks	+ 6	+ 23	+ 14	+ 13	+ 21	+ 46	+ 23	+ 32	+ 16	− 4	− 5	− 18
4	New issues	+193	+127	+ 33	+ 28	+ 96	+168	+112	+103	+ 42	+189	+ 75	+373
5	Retirements	− 51	− 59	− 31	− 73	− 65	− 61	− 23	− 70	− 57	− 49	− 46	− 92
	Foreign securities:												
6	Trade in outstanding issues	+ 7	− 5	+ 3	—	+ 2	+ 6	+ 5	− 6	− 24	− 30	− 8	− 4
7	New issues	− 2	− 1	− 2	− 8	− 4	− 5	− 5	− 5	− 1	− 3	− 5	− 3
8	Retirements	+ 5	+ 2	+ 4	+ 1	+ 1	+ 1	+ 2	+ 1	+ 4	+ 4	+ 4	+ 4
9	Loans by Government of Canada: Drawings	—	—	—	—	—	—	—	—	—	—	− 7	—
3	Subscriptions in gold and U.S. dollars to international financial agencies	—	—	− 1	− 2	—	—	—	—	—	—	—	− 1
4	Change in Canadian dollar holdings of foreigners	− 13	+ 2	+ 28	+ 43	+ 47	−103	+ 25	+ 9	+ 5	+ 49	− 39	+ 9
5	Special international financial assistance	—	—	—	—	—	—	—	—	—	+272	—	−269
6	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 13	+ 80	− 38	− 16	−105	− 50	+ 63	−135	+363	−113	−686	−102
7	Other capital movements	− 89	+180	+ 6	+188	+279	+192	−102	+252	+ 24	−450	+598	+ 87
	Net capital movement	**+213**	**+462**	**+ 82**	**+269**	**+377**	**+308**	**+189**	**+253**	**+451**	**− 40**	**+ 28**	**+106**
	Balance settled by exchange transfers	**+130**	**− 13**	**+ 83**	**+135**	**+ 56**	**+127**	**− 38**	**+114**	**−108**	**+465**	**+ 38**	**+176**
	Total financing of current account balance (item C)	**+343**	**+449**	**+165**	**+404**	**+433**	**+435**	**+151**	**+367**	**+343**	**+425**	**+ 66**	**+282**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 — Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1960				1961P				1962P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	209	231	244	240	223	217	236	248	192	238	245	24
4	Travel expenditures	2	8	6	4	2	9	6	4	1	9	7	
5	Interest and dividends	2	2	1	27	1	4	1	28	1	6	2	2
6	Freight and shipping	21	24	25	23	22	24	27	27	20	24	24	2
7	Inheritances and immigrants' funds	6	7	7	6	5	6	7	7	6	7	8	
11	All other current receipts	12	12	14	12	11	13	12	13	12	12	13	1
12	**Total current receipts**	**252**	**284**	**297**	**312**	**264**	**273**	**289**	**327**	**232**	**296**	**299**	**32**
B	**Current payments:**												
1	Merchandise imports (adjusted)	141	186	140	144	135	158	145	155	137	160	147	13
4	Travel expenditures	8	15	29	18	13	14	29	15	13	14	31	1
5	Interest and dividends	26	19	22	16	30	17	19	20	26	19	20	1
6	Freight and shipping	22	22	22	23	22	23	22	26	23	23	22	2
7	Inheritances and emigrants' funds	3	7	8	7	2	7	8	6	2	5	6	
9	Official contributions	—	—	1	2	—	—	—	—	—	—	—	-
11	All other current payments	24	23	27	24	23	27	24	26	25	27	24	1
12	**Total current payments**	**224**	**272**	**249**	**234**	**225**	**246**	**247**	**248**	**226**	**248**	**250**	**2**
C	**Current account balance**	**+28**	**+12**	**+48**	**+ 78**	**+39**	**+27**	**+42**	**+79**	**+ 6**	**+ 48**	**+49**	**+1**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	+40	+16	+30	+ 29	+27	+59	+18	+ 23	+ 7	+ 9	+22	+
2	Direct investment abroad	- 3	- 5	- 3	- 3	- 4	- 2	- 7	- 3	- 7	- 11	- 3	-
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 2	—	- 6	- 5	—	—	- 9	- 3	+ 1	+ 1	—	-
3b	Trade in outstanding common and preference stocks	+ 4	- 2	- 7	- 12	- 3	-14	-14	- 30	-18	- 25	-15	-
4	New issues	+ 9	+10	+ 5	+ 3	+ 5	+11	+ 5	+ 3	+ 6	+ 2	+ 5	+
5	Retirements	- 6	-11	- 2	- 8	- 7	- 8	- 6	- 20	- 6	- 16	- 4	-
	Foreign securities:												
6	Trade in outstanding issues	+ 1	+ 1	—	- 4	+ 2	- 5	- 4	- 3	- 2	- 2	+ 2	
7	New issues	—	—	—	—	—	—	- 2	—	—	—	—	
8	Retirements	—	—	—	—	—	—	—	—	—	—	—	
	Loans by Government of Canada:												
10	Repayment of postwar loans	—	—	—	+ 17	—	—	—	+ 17	—	—	—	+
14	Change in Canadian dollar holdings of foreigners	- 3	- 3	+23	- 8	-10	+ 8	+ 3	—	-13	- 7	—	+
15	Special international financial assistance	—	—	—	—	—	—	—	—	—	+109	—	-1
16	Change in official holdings of sterling (increase, minus)	- 2	+ 2	- 2	+ 2	—	- 1	- 1	—	+ 1	- 1	—	+
17	Other capital movements	+ 8	-24	-39	+ 19	-22	- 6	+ 7	+ 54	-21	+ 43	-33	+
E	**Net capital movement**	**+46**	**-16**	**- 1**	**+ 30**	**-12**	**+42**	**-10**	**+ 38**	**-52**	**+102**	**-26**	**-**
G	**Balance settled by exchange transfers**	**-74**	**+ 4**	**-47**	**-108**	**-27**	**-69**	**-32**	**-117**	**+46**	**-150**	**-23**	**-**
	Total financing of current account balance (item C)	**-28**	**-12**	**-48**	**- 78**	**-39**	**-27**	**-42**	**- 79**	**- 6**	**- 48**	**-49**	**-**

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 — Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1960				1961[p]				1962[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Rest of the Sterling Area:												
1	Merchandise exports	72	86	86	96	85	76	84	86	71	79	86	102
	Other current receipts	14	18	18	19	18	35	20	20	15	19	25	24
2	Total current receipts	86	104	104	115	103	111	104	106	86	98	111	126
1	Merchandise imports	48	78	78	80	50	81	80	87	52	88	93	96
	Other current payments	21	19	19	23	25	22	23	29	23	22	17	19
2	Total current payments	69	97	97	103	75	103	103	116	75	110	110	115
	Current account balance	**+17**	**+7**	**+7**	**+12**	**+28**	**+8**	**+1**	**−10**	**+11**	**−12**	**+1**	**+11**
	Non-sterling area overseas countries:												
1	Merchandise exports	231	239	299	319	281	384	373	383	274	358	336	392
	Other current receipts	36	57	49	47	41	66	62	57	38	70	63	62
2	Total current receipts	267	296	348	366	322	450	435	440	312	428	399	454
1	Merchandise imports	194	241	246	251	192	249	257	299	219	281	288	300
	Other current payments	101	102	119	114	101	112	132	115	100	120	129	112
2	Total current payments	295	343	365	365	293	361	389	414	319	401	417	412
	Current account balance	**−28**	**−47**	**−17**	**+1**	**+29**	**+89**	**+46**	**+26**	**−7**	**+27**	**−18**	**+42**
	Current account balance with above areas	**−11**	**−40**	**−10**	**+13**	**+57**	**+97**	**+47**	**+16**	**+4**	**+15**	**−17**	**+53**
	Capital account:												
	Direct investment:												
	Direct investment in Canada	+25	+20	+35	+9	+15	+9	+21	+20	+21	+10	+24	+63
	Direct investment abroad	−4	−7	−6	—	−14	−14	—	−9	−22	−20	−26	−38
	Canadian securities:												
a	Trade in outstanding bonds and debentures	+17	+12	+3	−7	+12	—	−11	−2	+3	−24	−3	+5
b	Trade in outstanding common and preference stocks	+3	+4	+3	+2	−6	—	−9	−7	−12	−15	−6	−7
	New issues	+10	+6	+14	+9	+4	+13	+6	+12	+5	+3	+5	+8
	Retirements	−1	−10	−1	−12	−1	−20	−3	−16	−9	−6	−3	−17
	Foreign securities:												
	Trade in outstanding issues	−1	−1	—	−20	−1	−1	+1	−1	−3	−3	−1	+1
	New issues	−1	−1	−1	−2	−1	−14	—	−2	−1	−1	—	−2
	Retirements	+1	+1	+3	+1	+1	+1	+1	+1	+1	+1	+1	+1
	Loans by Government of Canada:												
	Repayment of postwar loans	—	+7	—	+8	+3	+7	—	+10	+3	+7	+68	+34
	Change in Canadian dollar holdings of foreigners	+14	−1	−6	+44	−43	+22	−29	+36	−23	−8	−14	+10
	Special international financial assistance	—	—	—	—	—	—	—	—	—	+326	—	—
	Other capital movements	+4	+1	+2	−18	+3	−42	−94	−61	−29	+30	−13	+16
	Net capital movement	**+67**	**+31**	**+46**	**+14**	**−28**	**−39**	**− 117**	**−19**	**−66**	**+300**	**+32**	**+74**
	Balance settled by exchange transfers	**−56**	**+9**	**−36**	**−27**	**−29**	**−58**	**+70**	**+3**	**+62**	**−315**	**−15**	**−127**
	Total financing of current account balance (item C)	**+11**	**+40**	**+10**	**−13**	**−57**	**−97**	**−47**	**−16**	**−4**	**−15**	**+17**	**−53**

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends 1926-61[1]

Item	1926	1930	1933	1939	1945	1949	1951	1954	1955	1956	1957	1958	1959	1960	1961
	billions of dollars														
Canadian liabilities:															
Direct investment VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	6.8	7.7	8.9	10.1	10.9	11.9	12.9	13.7
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.1	1.9	2.1	2.3	2.6	3.1	3.3	3.4
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	3.1	3.1	3.5	3.9	4.1	4.2	4.4	4.4
Income accumulating investment funds	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.6	0.6	0.8	0.9	1.1	1.3	1.4	1.7
Foreign long-term investments in Canada VIII, IX	**6.0**	**7.6**	**7.4**	**6.9**	**7.1**	**8.0**	**9.5**	**12.5**	**13.5**	**15.6**	**17.5**	**19.0**	**20.9**	**22.2**	**23.8**
Equity of non-residents in Canadian assets abroad	..	..	..	0.2	0.2	0.3	0.4	0.6	0.7	0.8	0.8	0.9	1.0	1.1	1.2
Canadian dollars holdings of non-residents	..	...	..	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.6
Canadian short-term assets of international financial agencies	—	—	—	—	—	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4
Gross liabilities[2]	**6.4**	**8.0**	**7.7**	**7.4**	**7.6**	**8.9**	**10.6**	**13.7**	**14.8**	**17.0**	**18.9**	**20.6**	**22.7**	**24.3**	**25.7**
United States[2]	3.5	4.9	4.7	4.5	5.4	6.4	7.9	10.3	11.1	12.6	14.2	15.5	17.0	18.0	19.3
United Kingdom[2]	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.3	2.5	2.8	3.1	3.2	3.4	3.5	3.5
Other countries[2,3]	0.2	0.2	0.2	0.3	0.4	0.7	0.8	1.0	1.2	1.5	1.7	1.9	2.4	2.8	2.8
Short-term payables[4]	..	..	..	..	0.4	0.4	0.7	0.4	0.5	0.7	1.0	1.2	1.6	1.7	2.1
Gross liabilities	**6.4[2]**	**8.0[2]**	**7.7[2]**	**7.4[2]**	**8.0**	**9.3**	**11.3**	**14.1**	**15.3**	**17.7**	**19.9**	**21.8**	**24.3**	**26.1**	**27.8**
Canadian assets:															
Direct investment VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.6	1.7	1.9	2.1	2.1	2.3	2.5	2.6
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.9	1.0	1.0	1.1	1.1	1.2	1.3	1.3
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.7	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Government of Canada subscriptions to international financial agencies	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.6
Canadian long-term investments abroad	**0.9**	**1.3**	**1.3**	**1.4**	**2.0**	**4.0**	**4.1**	**4.6**	**4.7**	**4.8**	**5.0**	**5.1**	**5.5**	**5.8**	**6.1**
Government of Canada holdings of gold and foreign exchange VI	..	..	..	0.5	1.7	1.2	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8	2.1
Bank balances and other short-term funds abroad	[5]	[5]	[5]	—	0.1	0.1	0.1	0.4	0.3	0.6	0.9	1.0	1.0	1.2	1.1
Gross assets[2]	**1.3**	**1.5**	**1.4**	**1.9**	**3.8**	**5.2**	**6.0**	**6.9**	**7.0**	**7.3**	**7.7**	**8.0**	**8.4**	**8.8**	**9.1**
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8	2.1
United States[2,6]	0.7	0.9	0.8	0.9	0.9	1.1	1.4	2.1	2.2	2.6	3.0	3.1	3.3	3.7	3.8
United Kingdom[2,6]	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.3
Other countries[2,3]	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.9	1.9	1.9
Short-term receivables[4]	..	..	..	..	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Gross assets	**1.3[2]**	**1.5[2]**	**1.4[2]**	**1.9[2]**	**4.0**	**5.5**	**6.3**	**7.2**	**7.4**	**7.7**	**8.1**	**8.4**	**8.8**	**9.3**	**9.8**
Canadian net international indebtedness:															
Net liabilities	**5.1[2]**	**6.5[2]**	**6.3[2]**	**5.5[2]**	**4.0**	**3.8**	**5.0**	**6.8**	**7.8**	**10.0**	**11.8**	**13.4**	**15.4**	**16.8**	**17.9**
Government of Canada holdings of gold and foreign exchange	—	—	—	−0.5	−1.7	−1.2	−1.8	−1.9	−1.9	−1.9	−1.8	−1.9	−1.8	−1.8	−2.1
United States[2,6]	2.8	4.0	3.9	3.6	4.6	5.3	6.5	8.2	8.8	10.0	11.1	12.4	13.6	14.4	15.2
United Kingdom[2,6]	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.9	1.1	1.4	1.7	1.9	2.0	2.1	2.2
Other countries[2,3]	−0.3	−0.3	−0.4	−0.1	−0.1	−0.6	−0.5	−0.4	−0.2	—	0.1	0.3	0.5	0.9	0.6
Short-term indebtedness[4]	..	..	..	..	0.3	0.2	0.5	0.1	0.2	0.3	0.7	0.7	1.1	1.3	1.6

[1] For missing years after 1945 see Tables II and III in "Canada's Short-Term External Assets and Liabilities 1945-1957" (DBS Catalogue No. 67-504).
[2] Excludes short-term commercial indebtedness.
[3] Includes international financial agencies.
[4] Country distribution not available.
[5] Net external assets of the Chartered Banks of Canada amounted to $370 million in 1926, $180 million in 1930, and $91 million in 1933.
[6] Excludes Government of Canada holdings of gold and foreign exchange.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of ot countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,[1] 1951-62

At end of	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of U.S. dollars											
March	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,856.1	1,934.9	1,709.
June	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2	1,773.9	1,985.2	1,808.
September	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3	1,813.0	1,924.3	2,444.
December	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,829.2	2,055.8	2,539.

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government accour and net holdings of the Bank of Canada.
[2] Includes $650 million special international financial assistance.
[3] Includes $300 million special international financial assistance.

TABLE VII. Canadian Long-Term Investments Abroad,[1] Selected Year Ends 1926-61

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investment in foreign security			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
All countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671[x]	511	208	719[x]	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
1952	326	765	163	11	1,265	669[x]	161	830	2,095	1,866	3,961
1953	402	851	215	9	1,477	690	179	869	2,346	1,778	4,124
1954	427	935	245	12	1,619	723	203	926	2,545	1,705	4,250
1955	438	993	291	20	1,742	767	224	991	2,733	1,635	4,368
1956	418	1,106	340	27	1,891	785	221	1,006	2,897	1,565	4,462
1957	425	1,198	410	40	2,073	811	257	1,068	3,141	1,515	4,656
1958	429	1,250	427	43	2,149	868	250	1,118	3,267	1,484	4,751
1959	457	1,343	417	78	2,295	934	249	1,183	3,478	1,451	4,929
1960	456	1,482	459	84	2,481	1,050	265	1,315	3,796	1,418	5,214
1961	498	1,565	444	112	2,619	1,189	276	1,465	4,084	1,379	5,463
The United States:											
1939	211	176	21	4	412	380	121	501	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1951	288	549	71	4	912	289	87	376	1,288	—	1,288
1952	293	566	95	8	962	450[x]	86	536	1,498	—	1,498
1953	365	624	123	7	1,119	469	95	564	1,683	—	1,683
1954	390	686	145	10	1,231	490	89	579	1,810	—	1,810
1955	393	710	175	15	1,293	539	89	628	1,921	—	1,921
1956	378	804	190	22	1,394	569	84	653	2,047	—	2,047
1957	380	833	206	32	1,451	593	118	711	2,162	—	2,162
1958	379	833	197	31	1,440	659	111	770	2,210	—	2,210
1959	382	862	191	63	1,498	734	111	845	2,343	—	2,343
1960	374	971	223	64	1,632	827	120	947	2,579	—	2,579
1961	413	1,016	240	78	1,747	938	119	1,057	2,804	—	2,804
The United Kingdom:											
1939	—	53	—	6	59	22	21	43	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1951	1	73	—	—	74	17	17	34	108	1,394	1,502
1952	1	80	—	—	81	17	14	31	112	1,357	1,469
1953	1	103	—	—	104	16	13	29	133	1,292	1,425
1954	1	118	—	—	119	17	14	31	150	1,247	1,397
1955	2	128	—	1	131	29	17	46	177	1,202	1,379
1956	3	135	—	1	139	30	16	46	185	1,157[2]	1,342
1957	3	168	—	1	172	33	15	48	220	1,127[2]	1,347
1958	3	196	—	1	200	27	14	41	241	1,080[2]	1,321
1959	10	224	—	1	235	25	12	37	272	1,064[2]	1,336
1960	14	240	—	3	257	26	16	42	299	1,047[2]	1,346
1961	12	271	—	5	288	45	16	61	349	1,030[2]	1,379
Other Commonwealth countries:[3]											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	3	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	6	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	6	73	54	—	133	6	8	14	147	—	147
1954	4	74	60	—	138	6	7	13	151	—	151
1955	4	83	72	—	159	7	21	28	187	—	187
1956	8	85	98	—	191	7	21	28	219	—	219
1957	8	93	131	3	235	7	21	28	263	—	263
1958	7	102	150	7	266	8	21	29	295	34	329
1959	8	120	153	10	291	8	19	27	318	35	353
1960	10	121	156	12	299	10	18	28	327	35	362
1961	15	97	145	23	280	11	30	41	321	30	351
Other foreign countries:											
1939	31	30	85	—	146	102	51	153	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1951	25	39	26	2	92	155	30	185	277	528	805
1952	25	49	33	3	110	196	53	249	359	509	868
1953	30	51	38	2	121	199	63	262	383	486	869
1954	32	57	40	2	131	210	93	303	434	458	892
1955	39	72	44	4	159	192	97	289	448	433	881
1956	29	82	52	4	167	179	100	279	446	408	854
1957	34	104	73	4	215	178	103	281	496	388	884
1958	40	119	80	4	243	174	104	278	521	370	891
1959	57	137	73	4	271	167	107	274	545	352	897
1960	58	150	80	5	293	187	111	298	591	336	927
1961	58	181	59	6	304	195	111	306	610	319	929

[1] Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the nment of Canada to international financial agencies which are partly offset by "short-term assets in Canada of these institutions (Table V). Figures in- the equity of non-residents in assets abroad of Canadian companies (Table V).

[2] Excludes deferred interest amounting to $22 million at the end of 1956, and to $44 million at the end of subsequent years.

[3] Includes investments in Newfoundland prior to 1949.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-61

Classification by type of assets and nature of national ownership

Long-term investments in Canada	A. Owned by all non-residents								B. Owned in United States							
	1930	1945	1956	1957	1958	1959	1960	1961	1930	1945	1956	1957	1958	1959	1960	196
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal[1]	1,706	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,205	1,450	1,872	2,061	2,344	2,764	2,903	3,0
Railways	1,481	843	504	480	484	492	499	512	598	495	182	166	165	159	152	1
Other corporations	796	561	1,496	1,963	2,181	2,241	2,309	2,380	600	414	1,252	1,666	1,863	1,924	1,980	2,0
Sub-totals	**3,983**	**3,066**	**4,135**	**4,769**	**5,286**	**5,845**	**6,077**	**6,330**	**2,403**	**2,359**	**3,306**	**3,893**	**4,372**	**4,847**	**5,035**	**5,3**
Capital stock of Canadian companies	2,856	3,194	7,991	8,875	9,352	9,916	10,480	10,865	1,832	2,088	5,711	6,328	6,679	7,117	7,472	7,8
Other corporation assets[2]	480	548	2,376	2,686	2,967	3,490	3,965	4,428	331	413	2,049	2,299	2,512	2,954	3,294	3,6
Income accumulating investment funds	—	—	249	255	342	321	264	266	—	—	249	255	342	321	264	2
Miscellaneous investments	295	284	818	879	1,063[x]	1,285	1,428	1,681	94	130	474	489	536	587	653	8
Total investments	**7,614**	**7,092**	**15,569**	**17,464**	**19,010**	**20,857**	**22,214**	**23,570**	**4,660**	**4,990**	**11,789**	**13,264**	**14,441**	**15,826**	**16,718**	**17,9**
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	52	46	36	32	32	28	14	13	42	38	29	28	28	24	10	
Other corporations	357	281	781	1,075	1,135	1,182	1,211	1,346	294	254	730	1,004	1,058	1,106	1,116	1,2
Sub-totals	**409**	**327**	**817**	**1,107**	**1,167**	**1,210**	**1,225**	**1,359**	**336**	**292**	**759**	**1,032**	**1,086**	**1,130**	**1,126**	**1,2**
Capital stock of Canadian companies	1,543	1,860	5,725	6,398	6,826	7,324	7,839	8,190	1,330	1,613	4,629	5,196	5,515	5,922	6,263[x]	6,5
Other corporation assets[2]	475	526	2,326	2,624	2,887	3,372	3,808	4,188	327	399	2,004	2,244	2,444	2,860	3,160[x]	3,4
Total direct investments	**2,427**	**2,713**	**8,868**	**10,129**	**10,880**	**11,906**	**12,872**	**13,737**	**1,993**	**2,304**	**7,392**	**8,472**	**9,045**	**9,912**	**10,549**	**11,**
II. Government and municipal bonds[1]	**1,706**	**1,662**	**2,135**	**2,326**	**2,621**	**3,112**	**3,269**	**3,438**	**1,205**	**1,450**	**1,872**	**2,061**	**2,344**	**2,764**	**2,903**	**3,**
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	1,427	795	467	447	451	462	483	497	556	457	153	138	137	134	141	
Controlled in other countries	2	2	1	1	1	2	2	2	—	—	—	—	—	1	1	
Other corporations:																
Controlled in Canada	421	220	478	618	756	773	809	771	301	158	436	555	682	696	749	
Controlled in other countries	18	60	237	270	290	286	289	263	5	2	86	107	123	122	115	
Sub-totals	**1,868**	**1,077**	**1,183**	**1,336**	**1,498**	**1,523**	**1,583**	**1,533**	**862**	**617**	**675**	**800**	**942**	**953**	**1,006**	**1,**
Capital stock of Canadian companies:																
Companies controlled in Canada	1,233	1,249	2,063	2,228	2,274	2,322	2,340	2,395	484	462	1,041	1,058	1,081	1,100	1,104	1,
Companies controlled in other countries	80	85	203	249	252	270	301	280	18	13	41	74	83	95	105	
Other corporation assets:[2]																
Companies controlled in Canada	5	16	34	46	59	93	129	197	4	13	32	43	53	79	117	
Companies controlled in other countries	—	6	16	16	21	25	28	43	—	1	13	12	15	15	17	
Income accumulating investment funds	—	—	249	255	342	321	264	266	—	—	249	255	342	321	264	
Total other portfolio investments	**3,186**	**2,433**	**3,748**	**4,130**	**4,446**	**4,554**	**4,645**	**4,714**	**1,368**	**1,106**	**2,051**	**2,242**	**2,516**	**2,563**	**2,613**	**2,**
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	818	879	1,063[x]	1,285	1,428	1,681	94	130	474	489	536	587	653	
SUMMARY																
I. Direct investments	2,427	2,713	8,868	10,129	10,880	11,906	12,872	13,737	1,993	2,304	7,392	8,472	9,045	9,912	10,549	11
II. Government and municipal bonds	1,706	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,205	1,450	1,872	2,061	2,344	2,764	2,903	3
III. Other portfolio investments	3,186	2,433	3,748	4,130	4,446	4,554	4,645	4,714	1,368	1,106	2,051	2,242	2,516	2,563	2,613	2
IV. Miscellaneous investments	295	284	818	879	1,063[x]	1,285	1,428	1,681	94	130	474	489	536	587	653	
Total investments	**7,614**	**7,092**	**15,569**	**17,464**	**19,010**	**20,857**	**22,214**	**23,570**	**4,660**	**4,990**	**11,789**	**13,264**	**14,441**	**15,826**	**16,718**	**17**

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-61 — Concluded

Classification by type of assets and nature of national ownership

ong-term investments in Canada	C. Owned in United Kingdom								D. Owned in all other countries							
	1930	1945	1956	1957	1958	1959	1960	1961	1930	1945	1956	1957	1958	1959	1960	1961
	millions of dollars															
By type of assets																
ds and debentures:																
overnment and municipal[1]	486	157	152	145	145	141	127	147	15	55	111	120	132	207	239	242
ailways	862	316	296	290	292	291	290	288	21	32	26	24	27	42	57	50
ther corporations	171	116	172	200	207	206	214	189	25	31	72	97	111	111	115	96
Sub-totals	**1,519**	**589**	**620**	**635**	**644**	**638**	**631**	**624**	**61**	**118**	**209**	**241**	**270**	**360**	**411**	**388**
ital stock of Canadian com- nies	942	973	1,646	1,835	1,934	1,983	2,078	2,023	82	133	634	712	739	816	930	948
r corporation assets[2]	134	103	234	270	312	378	439	515	15	32	93	117	143	158	232	259
ellaneous investments	171	85	168	177	198	200	211	223	30	69	176	213	329[x]	498	564	624
Total investments	**2,766**	**1,750**	**2,668**	**2,917**	**3,088**	**3,199**	**3,359**	**3,385**	**188**	**352**	**1,112**	**1,283**	**1,481**	**1,832**	**2,137**	**2,219**
nature of national ownership																
Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	10	8	7	4	4	4	4	3	—	—	—	—	—	—	—	—
Other corporations	49	13	19	42	45	39	46	38	14	14	32	29	32	37	49	53
Sub-totals	**59**	**21**	**26**	**46**	**49**	**43**	**50**	**41**	**14**	**14**	**32**	**29**	**32**	**37**	**49**	**53**
Capital stock of Canadian companies	200	226	789	850	938	972	1,057[x]	1,072	13	21	307	352	373	430	519[x]	539
Other corporation assets[2]	133	101	233	267	309	369	428[x]	500	15	26	89	113	134	143	220[x]	248
Total direct investments	**392**	**348**	**1,048**	**1,163**	**1,296**	**1,384**	**1,535**	**1,613**	**42**	**61**	**428**	**494**	**539**	**610**	**788**	**840**
overnment and municipal bonds[1]	**486**	**157**	**152**	**145**	**145**	**141**	**127**	**147**	**15**	**55**	**111**	**120**	**132**	**207**	**239**	**242**
Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	850	306	288	285	287	286	285	284	21	32	26	24	27	42	57	50
Controlled in other countries	2	2	1	1	1	1	1	1	—	—	—	—	—	—	—	—
Other corporations:																
Controlled in Canada	116	46	22	20	23	28	19	7	4	16	20	43	51	49	41	22
Controlled in other countries	6	57	131	138	139	139	149	144	7	1	20	25	28	25	25	21
Sub-totals	**974**	**411**	**442**	**444**	**450**	**454**	**454**	**436**	**32**	**49**	**66**	**92**	**106**	**116**	**123**	**93**
apital stock of Canadian companies:																
Companies controlled in Canada	685	691	783	910	923	935	924	860	64	96	239	260	270	287	312	320
Companies controlled in other countries	57	56	74	75	73	76	97	91	5	16	88	100	96	99	99	89
ther corporation assets:[2]																
Companies controlled in Canada	1	2	1	2	1	4	5	6	—	1	1	1	5	10	7	4
Companies controlled in other countries	—	—	—	1	2	5	6	9	—	5	3	3	4	5	5	7
Total other portfolio investments	**1,717**	**1,160**	**1,300**	**1,432**	**1,449**	**1,474**	**1,486**	**1,402**	**101**	**167**	**397**	**456**	**481**	**517**	**546**	**513**
scellaneous investments:																
eal estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	168	177	198	200	211	223	30	69	176	213	329[x]	498	564	624
SUMMARY																
ect investments	392	348	1,048	1,163	1,296	1,384	1,535	1,613	42	61	428	494	539	610	788	840
vernment and municipal bonds	486	157	152	145	145	141	127	147	15	55	111	120	132	207	239	242
ier portfolio investments	1,717	1,160	1,300	1,432	1,449	1,474	1,486	1,402	101	167	397	456	481	517	546	513
scellaneous investments	171	85	168	177	198	200	211	223	30	69	176	213	329[x]	498	564	624
Total investments	**2,766**	**1,750**	**2,668**	**2,917**	**3,088**	**3,199**	**3,359**	**3,385**	**188**	**352**	**1,112**	**1,283**	**1,481**	**1,832**	**2,137**	**2,219**

For division into Government of Canada, provincial and municipal see Table IX.
Includes net assets of unincorporated branches and other long-term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends 1945-61

Classification by type of investment

Long-term investments in Canada by type of investment	A. Owned by all non-residents							B. Owned in United States						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	196
	millions of dollars													
Government securities:														
Dominion	726	502	501	564	612	611	657	682	340	342	396	383	382	4
Provincial	624	1,081	1,165	1,276	1,585	1,632	1,743	574	1,021	1,099	1,207	1,509	1,544	1,6
Municipal	312	552	660	781	915	1,026	1,038	194	511	620	741	872	977	9
Sub-totals	**1,662**	**2,135**	**2,326**	**2,621**	**3,112**	**3,269**	**3,438**	**1,450**	**1,872**	**2,061**	**2,344**	**2,764**	**2,903**	**3,0**
Manufacturing:														
Vegetable products	268	524	577	608	664	720	749	199	401	440	469	509	551	5
Animal products	61	103	108	114	128	132	145	47	91	96	102	115	118	1
Textiles	83	128	128	135	140	141	148	41	70	71	73	79	84	
Wood and paper products	455	1,081	1,166	1,200	1,211	1,315	1,408	383	911	986	1,021	1,026	1,116	1,2
Iron and products	319	1,083	1,198	1,312	1,451	1,580	1,648	297	891	971	1,038	1,172	1,286	1,3
Non-ferrous metals	274	895	1,031	1,103	1,153	1,155	1,185	209	700	813	879	928	928	9
Non-metallic minerals	57	170	179	207	227	276	286	48	109	111	129	142	151	1
Chemicals and allied products	169	527	582	617	660	698	768	124	371	418	444	473	492	5
Miscellaneous manufactures	37	68	82	85	92	98	108	34	62	76	79	86	92	1
Sub-totals (excluding petroleum refining)	**1,723**	**4,579**	**5,051**	**5,381**	**5,726**	**6,115**	**6,445**	**1,382**	**3,606**	**3,982**	**4,234**	**4,530**	**4,818**	**5,1**
Petroleum and natural gas	160	2,275	2,849	3,187	3,455	3,727	4,023	152	2,063	2,570	2,866	3,108	3,184[x]	3,4
Other mining and smelting	356	1,330	1,570	1,657	1,783	1,977	2,089	277	1,129	1,307	1,386	1,513	1,701	1,8
Public utilities:														
Railways	1,599	1,426	1,396	1,413	1,405	1,406	1,366	720	536	489	489	472	479	5
Other (excluding pipelines and public enterprises)	493	628	661	712	739	743	649	374	460	471	523	544	551	5
Sub-totals	**2,092**	**2,054**	**2,057**	**2,125**	**2,144**	**2,149**	**2,015**	**1,094**	**996**	**960**	**1,012**	**1,016**	**1,030**	**1,0**
Merchandising	220	683	715	784	878	872	917	158	496	508	549	612	608	6
Financial	525	1,488	1,782	1,938	2,190	2,380	2,614	285	983	1,202	1,314	1,471	1,587	1,7
Other enterprises	70	207	235	254	284	297	348	62	170	185	200	225	234	2
Miscellaneous investments	284	818	879	1,063[x]	1,285	1,428	1,681	130	474	489	536	587	653	8
Total investments	**7,092**	**15,569**	**17,464**	**19,010**	**20,857**	**22,214**	**23,570**	**4,990**	**11,789**	**13,264**	**14,441**	**15,826**	**16,718**	**17,9**

	C. Owned in United Kingdom							D. Owned in all other countries						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	19
	millions of dollars													
Government securities:														
Dominion	—	72	64	65	60	48	50	44	90	95	103	169	181	1
Provincial	45	45	47	47	48	47	67	5	15	19	22	28	41	
Municipal	112	35	34	33	33	32	30	6	6	6	7	10	17	
Sub-totals	**157**	**152**	**145**	**145**	**141**	**127**	**147**	**55**	**111**	**120**	**132**	**207**	**239**	**2**
Manufacturing:														
Vegetable products	66	109	125	124	131	137	136	3	14	12	15	24	32	
Animal products	6	6	6	6	7	8	7	8	6	6	6	6	6	
Textiles	38	56	55	60	59	55	53	4	2	2	2	2	2	
Wood and paper products	64	153	160	155	159	167	174	8	17	20	24	26	32	
Iron and products	12	153	168	202	194	201	209	10	39	59	72	85	93	1
Non-ferrous metals	64	175	192	195	192	188	180	1	20	26	29	33	39	
Non-metallic minerals	8	31	34	40	45	55	54	1	30	34	38	40	70	
Chemicals and allied products	36	137	142	146	153	169	176	9	19	22	27	34	37	
Miscellaneous manufactures	2	4	5	5	5	5	6	1	2	1	1	1	1	
Sub-totals (excluding petroleum refining)	**296**	**824**	**887**	**933**	**945**	**985**	**995**	**45**	**149**	**182**	**214**	**251**	**312**	**3**
Petroleum and natural gas	7	72	108	134	162	270[x]	299	1	140	171	187	185	273[x]	1
Other mining and smelting	60	118	162	171	160	152	147	19	83	101	100	110	124	
Public utilities:														
Railways	806	765	784	794	783	755	699	73	125	123	130	150	172	
Other (excluding pipelines and public enterprises)	90	97	112	115	125	125	75	29	71	78	74	70	67	
Sub-totals	**896**	**862**	**896**	**909**	**908**	**880**	**774**	**102**	**196**	**201**	**204**	**220**	**239**	
Merchandising	57	159	174	197	225	214	238	5	28	33	38	41	50	
Financial	186	284	332	360	413	469	512	54	221	248	264	306	324	
Other enterprises	6	29	36	41	45	51	50	2	8	14	13	14	12	
Miscellaneous investments	85	168	177	198	200	211	223	69	176	213	329[x]	498	564	
Total investments	**1,750**	**2,668**	**2,917**	**3,088**	**3,199**	**3,359**	**3,385**	**352**	**1,112**	**1,283**	**1,481**	**1,832**	**2,137**	**2,**

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends 1945-61

Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents							B. Owned in United States						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
	millions of dollars													
nufacturing:														
Vegetable products	200	441	492	521	578	637	648	140	339	375	403	442	488	504
Animal products	47	91	98	105	119	122	135	44	83	89	95	108	111	125
Textiles	56	105	108	115	117	118	122	28	58	62	63	68	72	78
Wood and paper products	348	847	924	945	951	1,033	1,064	316	726	798	819	822	886	939
Iron and products	277	978	1,089	1,205	1,345	1,441	1,504	272	816	896	961	1,095	1,198	1,248
Non-ferrous metals	211	728	867	926	977	983	1,020	203	663	789	845	892	890	931
Non-metallic minerals	43	143	157	174	198	240	249	39	91	101	110	127	134	140
Chemical and allied products	144	507	561	595	637	671	741	118	358	405	434	460	478	538
Miscellaneous manufactures	33	66	80	82	89	97	106	31	61	75	76	83	91	100
Sub-totals (excluding petroleum refining)	**1,359**	**3,906**	**4,376**	**4,668**	**5,011**	**5,342**	**5,589**	**1,191**	**3,195**	**3,590**	**3,806**	**4,097**	**4,348**	**4,603**
roleum and natural gas	141	2,144	2,559	2,816	3,082	3,313	3,534	141	1,978	2,380	2,598	2,836	2,885[x]	3,060
er mining and smelting	237	908	1,044	1,116	1,223	1,439	1,549	215	857	971	1,030	1,146	1,348	1,451
ities (excluding pipelines)	375	292	286	287	282	285	289	358	223	215	216	217	224	228
chandising	202	605	621	684	761	757	804	147	428	423	458	505	501	520
ancial	339	818	1,026	1,073	1,289	1,464	1,660	198	551	719	750	904	1,028	1,171
er enterprises	60	195	217	236	258	272	312	54	160	174	187	207	215	251
Totals	**2,713**	**8,868**	**10,129**	**10,880**	**11,906**	**12,872**	**13,737**	**2,304**	**7,392**	**8,472**	**9,045**	**9,912**	**10,549**	**11,284**

	C. Owned in United Kingdom							D. Owned in all other countries						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
	millions of dollars													
ufacturing:														
egetable products	60	95	110	108	117	124	123	—	7	7	10	19	25	21
nimal products	3	4	5	5	6	6	6	—	4	4	5	5	5	4
extiles	26	47	46	51	49	45	43	2	—	—	1	—	1	1
ood and paper products	30	120	125	125	127	138	115	2	1	1	1	2	9	10
on and products	4	134	147	186	180	185	191	1	28	46	58	70	58	65
on-ferrous metals	8	49	61	63	64	65	65	—	16	17	18	21	28	24
on-metallic minerals	4	23	26	30	34	38	37	—	29	30	34	37	68	72
emicals and allied products	19	135	139	143	150	162	170	7	14	17	18	27	31	33
scellaneous manufactures	2	4	4	5	5	5	5	—	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	**156**	**611**	**663**	**716**	**732**	**768**	**755**	**12**	**100**	**123**	**146**	**182**	**226**	**231**
oleum and natural gas	—	56	64	90	116	208[x]	234	—	110	115	128	130	220[x]	240
r mining and smelting	22	48	68	77	68	66	62	—	3	5	9	9	25[x]	36
ties (excluding pipelines)	16	39	37	41	40	40	38	1	30	34	30	25	21	23
handising	51	151	167	191	219	208	231	4	26	31	35	37	48	53
ncial	98	115	131	142	168	198	246	43	152	176	181	217	238	243
r enterprises	5	28	33	39	41	47	47	1	7	10	10	10	10	14
Totals	**348**	**1,048**	**1,163**	**1,296**	**1,384**	**1,535**	**1,613**	**61**	**428**	**494**	**539**	**610**	**788**	**840**

[1] Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

TABLE XI. Number of Canadian Concerns Controlled Abroad, End of 1960 and 1961[1]

Classification by type of business and country of ownership

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Con-trolle outsid Canad
	Subsidiaries or controlled companies	Unincor-porated branches	Total number	Subsidiaries or controlled companies	Unincor-porated branches	Total number	Subsidiaries or controlled companies	Unincor-porated branches	Total number	Tota numb
1960										
Manufacturing:										
Vegetable products	161	6	167	62	—	62	15	—	15	2
Animal products	61	—	61	6	1	7	7	—	7	
Textiles	94	1	95	25	1	26	6	—	6	1
Wood and paper products	246	15	261	51	3	54	14	—	14	3
Iron and products	503	20	523	97	1	98	31	—	31	6
Non-ferrous metals	287	10	297	46	1	47	21	—	21	3
Non-metallic minerals	69	4	73	45	—	45	13	—	13	1
Chemicals and allied products	314	29	343	61	1	62	15	2	17	4
Miscellaneous manufactures	117	8	125	13	—	13	4	—	4	1
Sub-totals (excluding petroleum refining)	**1,852**	**93**	**1,945**	**406**	**8**	**414**	**126**	**2**	**128**	**2,4**
Petroleum and natural gas	360	96	456	29	—	29	22	4	26	5
Other mining and smelting	299	36	335	58	—	58	19	3	22	4
Utilities:										
Railways	9	4	13	6	—	6	1	—	1	
Other utilities (excluding pipelines)	103	19	122	33	4	37	31	7	38	1
Merchandising	901	140	1,041	395	36	431	145	9	154	1,6
Financial:										
Financial institutions except insurance	82	14	96	40	—	40	19	2	21	1
Insurance	23	166	189	25	83	108	18	41	59	3
Real estate	136	12	148	54	2	56	29	2	31	2
Other holding companies[2]	46	6	52	35	1	36	43	2	45	1
Other enterprises	584	97	681	146	11	157	52	3	55	8
Totals, all companies[3]	**4,395**	**683**	**5,078**	**1,227**	**145**	**1,372**	**505**	**75**	**580**	**7,0**
1961										
Manufacturing:										
Vegetable products	169	6	175	73	—	73	14	—	14	2
Animal products	57	—	57	7	1	8	6	—	6	
Textiles	99	1	100	27	1	28	5	—	5	1
Wood and paper products	249	12	261	54	3	57	15	—	15	3
Iron and products	532	21	553	107	1	108	34	1	35	6
Non-ferrous metals	302	10	312	46	1	47	24	—	24	3
Non-metallic minerals	71	5	76	48	—	48	25	—	25	1
Chemicals and allied products	329	29	358	64	1	65	18	1	19	4
Miscellaneous manufactures	123	6	129	13	—	13	4	—	4	1
Sub-totals (excluding petroleum refining)	**1,931**	**90**	**2,021**	**439**	**8**	**447**	**145**	**2**	**147**	**2,6**
Petroleum and natural gas	367	86	453	30	—	30	26	4	30	5
Other mining and smelting	302	34	336	53	—	53	23	—	23	4
Utilities:										
Railways	8	5	13	6	—	6	1	—	1	
Other utilities (excluding pipelines)	108	20	128	34	4	38	28	8	36	
Merchandising	939	122	1,061	393	38	431	156	8	164	1,(
Financial:										
Financial institutions except insurance	98	15	113	43	—	43	17	3	20	
Insurance	21	162	183	27	81	108	18	41	59	
Real estate	145	11	156	64	2	66	29	2	31	
Other holding companies[2]	45	6	51	39	1	40	46	1	47	
Other enterprises	604	86	690	152	9	161	60	4	64	
Totals, all companies[4]	**4,568**	**637**	**5,205**	**1,280**	**143**	**1,423**	**549**	**73**	**622**	**7,**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tab
[2] Excludes non-resident owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,026; in the U.K. 449; in other countries 92.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,109; in the U.K. 517; in other countries 134.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-61[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959	1960	1961
	*	*	*	*	*	*								
centage of total owned by all non-residents:														
anufacturing	38	40	42	42	45	48	47	47	48	50	51	51	52	54
etroleum and natural gas	—	—	—	—	—	—	60	63	65	63	62	62	62	60
ining and smelting	37	44	40	39	51	57	53	53	54	56[2]	56	58	60	62
ailways	55	56	57	45	50	35	35	33	33	30	29	27	26	25
ther utilities	32	36	27	20	17	17	14	13	14	14	14	14	14	13
Totals of above industries and merchandising[3]	**37**	**39**	**38**	**32**	**31**	**32**	**32**	**32**	**33**	**34**	**34**	**34**	**34**	**34**
centage of total owned by United States residents:														
anufacturing	30	33	34	35	37	39	37	37	38	39	40	41	41	43
etroleum and natural gas	—	—	—	—	—	—	57	58	59	57	56	55	53[x]	51
ining and smelting	28	34	31	32	45	52	47	46	46	46[2]	47	49	52	54
ailways	15	21	18	21	18	15	15	13	12	11	10	9	9	9
ther utilities	23	30	20	16	15	15	12	10	11	11	12	12	12	11
Totals of above industries and merchandising[3]	**19**	**24**	**22**	**23**	**24**	**25**	**25**	**25**	**26**	**26**	**26**	**26**	**27**	**27**

[1] For years 1952 and 1953, see Table XII, *The Canadian Balance of International Payments, 1957 and International Investment Position.*
[2] Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pacific
vay Company has been included under mining and smelting.
[3] Corporations engaged in the construction industry are included in the postwar period.

* Petroleum and natural gas industry not available separately. For treatment see page 33, *The Canadian Balance of International Payments, 1957 and national Investment Position.*

Note: For data from which this table was constructed and for further explanations see TABLE XVI.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends 1900-61

Year	Total non-resident investment			Percentage of total non-resident investment		
	Direct	Portfolio[1]	Total	United States	United Kingdom	Other countries
	millions of dollars			per cent		
)	..	..	1,232	14	85	1
	..	..	3,837	23	72	5
	..	..	4,536	36	60	4
	1,782	4,221	6,003	53	44	3
	2,427	5,187	7,614	61	36	3
	2,352	5,013	7,365	61	36	3
	2,296	4,617	6,913	60	36	4
	2,713	4,379	7,092	70	25	5
	2,826	4,355	7,181	72	23	5
	2,986	4,205	7,191	72	23	5
	3,270	4,239	7,509	74	22	4
	3,586	4,377	7,963	74	22	4
	3,975	4,689	8,664	76	20	4
	4,520	4,957	9,477	76	19	5
	5,218	5,167	10,385	77	18	5
	6,003	5,458	11,461	77	18	5
	6,764	5,780	12,544	77	17	6
	7,728	5,745	13,473	76	18	6
	8,868	6,701	15,569	76	17	7
	10,129	7,335	17,464	76	17	7
	10,880	8,130	19,010	76	16	8
	11,906	8,951	20,857	76	15	9
	12,872	9,342	22,214	75	15	10
	13,737	9,833	23,570	76	14	10

ee footnotes at end of table.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends 1926-61[1] — Concluded

Year	Investment by residents of the United States			Investment by residents of the United Kingdom			Investment by residents of other countries		
	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total	Direct	Portfolio[1]	Total
	millions of dollars								
1900[2]	..	..	168	..	..	1,050	..	..	1
1914[3]	..	..	881	..	..	2,778	..	..	17
1918[3]	..	..	1,630	..	..	2,729	..	..	17
1926	1,403	1,793	3,196	336	2,301	2,637	43	127	17
1930	1,993	2,667	4,660	392	2,374	2,766	42	146	18
1933	1,933	2,559	4,492	376	2,307	2,683	43	147	19
1939	1,881	2,270	4,151	366	2,110	2,476	49	237	28
1945	2,304	2,686	4,990	348	1,402	1,750	61	291	35
1946	2,428	2,730	5,158	335	1,335	1,670	63	290	35
1947	2,548	2,653	5,201	372	1,275	1,647	66	277	34
1948	2,807	2,760	5,567	400	1,210	1,610	63	269	33
1949	3,095	2,811	5,906	428	1,289	1,717	63	277	34
1950	3,426	3,123	6,549	468	1,282	1,750	81	284	36
1951	3,896	3,363	7,259	497	1,281	1,778	127	313	44
1952	4,530	3,467	7,997	544	1,342	1,886	144	358	50
1953	5,206	3,664	8,870	612	1,396	2,008	185	398	58
1954	5,787	3,877	9,664	759	1,418	2,177	218	485	70
1955	6,513	3,762	10,275	890	1,465	2,356	325	517	84
1956	7,392	4,397	11,789	1,043	1,620	2,668	428	684	1,11
1957	8,472	4,792	13,264	1,163	1,754	2,917	494	789	1,28
1958	9,045	5,396	14,441	1,296	1,792	3,088	539	942	1,48
1959	9,912	5,914	15,826	1,384	1,815	3,199	610	1,222	1,83
1960	10,549	6,169	16,718	1,535	1,824	3,359	788	1,349	2,13
1961[p]	11,284	6,682	17,966	1,613	1,772	3,385	840	1,379	2,21

[1] Including miscellaneous investments.
[2] Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).
[3] Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics for 1926 and subsequent years are official data compiled by the Dominion Bureau of Statistics.

TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-60[1]

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959	1960	196
	*	*	*	*	*	*								
Percentage of total control by all non-residents:														
Manufacturing	35	36	38	43	48	54	51	52	52	56	57	57	59	5
Petroleum and natural gas	—	—	—	—	—	—	69	79	80	76	73	73	73	6
Mining and smelting	38	47	42	40	53	57	51	57	58	61	60	61	61	5
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	
Other utilities	20	29	26	24	20	11	8	8	6	5	5	5	5	
Totals of above industries and merchandising[2]	**17**	**20**	**21**	**25**	**27**	**28**	**28**	**30**	**31**	**32**	**32**	**32**	**33**	
Percentage of total control by United States residents:														
Manufacturing	30	31	32	39	42	45	42	42	41	43	44	44	44	
Petroleum and natural gas	—	—	—	—	—	—	67	73	73	70	67	67	64[x]	
Mining and smelting	32	42	38	37	51	54	49	55	52	52	51	53	53	
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	
Other utilities	20	29	26	24	20	11	7	6	4	4	4	4	4	
Totals of above industries and merchandising[2]	**15**	**18**	**19**	**22**	**24**	**24**	**24**	**26**	**26**	**27**	**26**	**26**	**26**	

[1] For years 1952 and 1953, see Table XIV, *The Canadian Balance of International Payments, 1957 and International Investment Position.*
[2] Corporations engaged in the construction industry are included in the postwar period.

* Petroleum and natural gas industry not available separately. For treatment see page 33, *The Canadian Balance of International Payments, 1957 and International Investment Position.*

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XV. Ownership and Control of Selected Canadian Industries, 1959-61[1]

Company classification	Estimated total investment	Investment owned in:				Total Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:		
		Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada
End of 1959[r]	millions of dollars								per cent						
facturing:[2]															
verages	456	335	104	15	2	394	56	6	74	23	3	—	87	12	1
ber	203	29	161	13	—	5	182	16	14	79	7	—	2	90	8
xtiles	622	482	79	59	2	479	88	55	78	13	9	—	77	14	9
lp and paper	1,889	905	838	131	15	961	721	207	48	44	7	1	51	38	11
ricultural machinery[3]	170	97	73[4]	..	..	77	93[4]	..	57	43[4]	..	..	45	55[4]	..
tomobiles and parts	407	44	362	1	—	14	391	2	11	89	—	—	3	96	1
ansportation equipment n.o.p.	267	112	73	81	1	73	71	123	42	27	30	1	27	27	46
imary iron and steel	707	533	105	61	8	544	61	102	75	15	9	1	77	9	14
ectrical apparatus	526	139	339	28	20	102	351	73	26	65	5	4	19	67	14
emicals	1,073	413	473	153	34	250	561	262	39	44	14	3	23	52	25
her	5,351	2,572	2,148	448	183	2,087	2,553	711	48	41	8	3	39	48	13
Sub-totals	**11,671**	**5,661**	**4,755**	**990**	**265**	**4,986**	**5,128**	**1,557**	**49**	**41**	**8**	**2**	**43**	**44**	**13**
leum and natural gas	5,609	2,154	3,108	162	185	1,529	3,737	343	38	55	3	4	27	67	6
g:															
elting and refining of non-ferous native ores	922	409	386	67	60	311	611	—	44	42	7	7	34	66	—
her mining	2,145	875	1,127	93	50	887	1,002	256	41	53	4	2	41	47	12
Sub-totals	**3,067**	**1,284**	**1,513**	**160**	**110**	**1,198**	**1,613**	**256**	**42**	**49**	**5**	**4**	**39**	**53**	**8**
Totals of above industries	**20,347**	**9,099**	**9,376**	**1,312**	**560**	**7,713**	**10,478**	**2,156**	**45**	**46**	**6**	**3**	**38**	**51**	**11**
End of 1960															
facturing:[2]															
verages	497	369	111	15	2	424	67	6	74	23	3	—	85	14	1
ber	221	28	178	15	—	4	200	17	13	80	7	—	2	90	8
xtiles	588	447	84	55	2	460	76	52	76	14	10	—	78	13	9
p and paper	2,079	1,012	905	140	22	1,031	763	285	49	43	7	1	49	37	14
icultural machinery[3]	191	109	77	1	4	94	93	4	57	41	—	2	49	49	2
omobiles and parts	440	43	396	1	—	13	424	3	10	90	—	—	3	96	1
nsportation equipment n.o.p.	275	120	73	82	—	74	75	126	44	26	30	—	27	27	46
and steel mills[x]	781	535	155	63	28	562	108	111	68	20	8	4	72	14	14
ctrical apparatus	558	151	345	35	27	114	365	79	27	62	6	5	20	66	14
micals	1,119	421	492	169	37	274	570	275	38	44	15	3	24	51	25
er	5,498	2,600	2,236	460	202	2,007	2,631	860	47	41	8	4	37	48	15
ub-totals	**12,247**	**5,835**	**5,052**	**1,036**	**324**	**5,057**	**5,372**	**1,818**	**48**	**41**	**8**	**3**	**41**	**44**	**15**
eum and natural gas	6,054	2,327	3,184	270	273	1,624	3,857	573	38	53	4	5	27	64	9
g:															
lting and refining of non-ferous native ores	936	428	386	65	57	335	601	—	46	41	7	6	36	64	—
er mining	2,355	886	1,315	87	67	933	1,149	273	37	56	4	3	40	49	11
ub-totals	**3,291**	**1,314**	**1,701**	**152**	**124**	**1,268**	**1,750**	**273**	**40**	**52**	**4**	**4**	**39**	**53**	**8**
Totals of above industries	**21,592**	**9,476**	**9,937**	**1,458**	**721**	**7,949**	**10,979**	**2,664**	**44**	**46**	**7**	**3**	**37**	**51**	**12**
End of 1961															
acturing:[2]															
erages	522	383	120	16	3	447	69	6	74	23	3	—	86	13	1
ber	211	26	170	15	—	2	192	17	12	81	7	—	1	91	8
xtiles	614	466	93	53	2	476	85	53	76	15	9	—	77	14	9
and paper	2,223	1,098	959	148	18	1,196	773	254	49	43	7	1	54	35	11
cultural machinery[3]	173	92	77	—	4	79	90	4	53	45	—	2	46	52	2
omobiles and parts	467	45	421	1	—	13	451	3	10	90	—	—	3	97	—
sportation equipment n.o.p.	255	107	64	84	—	74	70	111	42	25	33	—	29	27	44
and steel mills[x]	873	614	165	65	29	651	114	108	70	19	8	3	75	13	12
trical apparatus	595	159	380	35	21	128	394	73	27	64	6	3	22	66	12
nicals	1,183	415	553	176	39	254	638	291	35	47	15	3	21	54	25
r	5,552	2,470	2,415	452	215	1,889	2,795	868	45	43	8	4	34	50	16
b-totals	**12,668**	**5,875**	**5,417**	**1,045**	**331**	**5,209**	**5,671**	**1,788**	**46**	**43**	**8**	**3**	**41**	**45**	**14**
um and natural gas	6,717	2,694	3,434	299	290	2,057	4,038	622	40	51	5	4	31	60	9
g:															
ting and refining of non-ferus native ores	968	432	421	62	53	434	534	—	45	44	6	5	45	55	—
r mining	2,428	875	1,397	85	71	968	1,243	217	36	58	3	3	40	51	9
b-totals	**3,396**	**1,307**	**1,818**	**147**	**124**	**1,402**	**1,777**	**217**	**38**	**54**	**4**	**4**	**41**	**52**	**7**
Totals of above industries	**22,781**	**9,876**	**10,669**	**1,491**	**745**	**8,668**	**11,486**	**2,627**	**44**	**47**	**6**	**3**	**38**	**50**	**12**

[1] The figures in this table are subject to important statistical qualifications which are described under the note "About the figures—Estimated Values of Capital and Resident-owned Capital in Some Areas of National Wealth", on pages 62-63 of *The Canadian Balance of International Payments, 1960 and International Investment Position.*

[2] Includes "Other enterprises".

[3] Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign owned and controlled proportion of capital [4] engaged in the manufacture of agricultural implements only.

[x] Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in other manufacturing.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Inudstries Year Ends 1954-61[1]

Industry	1954	1955	1956	1957	1958	1959	1960	1961
	billions of dollars							
Total capital employed:[2]								
Manufacturing	8.3	8.9	10.0	10.7	11.0	11.7	12.2	1
Petroleum and natural gas	2.5	3.0	3.5	4.5	5.1	5.6	6.1	
Other mining and smelting	1.9	2.1	2.5	2.8	2.9	3.1	3.3	
Railways	4.1	4.2	4.4	4.6	4.9	5.2	5.3	
Other utilities	5.3	5.8	6.4	7.4	8.0	8.5	9.2	1
Merchandising[3] and construction	6.1	6.6	7.3	7.8	8.5	9.5	9.4	
Totals of above	**28.2**	**30.5**	**34.1**	**37.6**	**40.5**	**43.6**	**45.6**	**4**
Resident owned capital:								
Manufacturing	4.4	4.7	5.2	5.4	5.4	5.7	5.8	
Petroleum and natural gas	1.0	1.1	1.3	1.6	2.0	2.2	2.3	
Other mining and smelting	0.9	1.0	1.1	1.3	1.3	1.3	1.3	
Railways	2.7	2.8	2.9	3.2	3.5	3.8	3.9	
Other utilities	4.6	5.0	5.5	6.3	6.9	7.3	7.9	
Merchandising and construction	5.5	6.0	6.6	7.0	7.7	8.6	8.5	
Totals of above	**19.1**	**20.6**	**22.7**	**24.8**	**26.7**	**28.8**	**29.9**	**3**
Non-resident owned capital:[4]								
Manufacturing	3.9	4.2	4.8	5.3	5.6	6.0	6.4	
Petroleum and natural gas	1.5	1.9	2.3	2.8	3.2	3.5	3.7	
Other mining and smelting	1.0	1.1	1.3	1.6	1.7	1.8	2.0	
Railways	1.4	1.4	1.4	1.4	1.4	1.4	1.4	
Other utilities	0.7	0.7	0.9	1.0	1.1	1.2	1.3	
Merchandising	0.6	0.6	0.7	0.7	0.8	0.9	0.9	
Totals of above	**9.1**	**9.9**	**11.4**	**12.9**	**13.8**	**14.8**	**15.7**	**1**
United States owned investments:[4]								
Manufacturing	3.1	3.3	3.8	4.2	4.4	4.8	5.1	
Petroleum and natural gas	1.4	1.7	2.1	2.6	2.9	3.1	3.2[x]	
Other mining and smelting	0.9	1.0	1.1	1.3	1.4	1.5	1.7	
Railways	0.6	0.6	0.5	0.5	0.5	0.5	0.5	
Other utilities	0.6	0.6	0.7	0.8	0.9	1.0	1.1	
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	
Totals of above	**7.0**	**7.6**	**8.7**	**9.9**	**10.7**	**11.5**	**12.1**	**1**
Total Canadian and external investment in companies controlled outside Canada:								
Manufacturing	4.3	4.6	5.2	5.9	6.3	6.7	7.2	
Petroleum and natural gas	1.7	2.3	2.8	3.4	3.8	4.1	4.4	
Other mining and smelting	1.0	1.2	1.4	1.7	1.8	1.9	2.0	
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other utilities	0.4	0.4	0.4	0.4	0.4	0.5	0.5	
Merchandising	0.5	0.6	0.6	0.7	0.7	0.8	1.0	
Totals of above	**8.0**	**9.3**	**10.5**	**12.2**	**13.1**	**14.0**	**15.2**	
Total Canadian and external investment in companies controlled in the United States:								
Manufacturing	3.5	3.7	4.1	4.6	4.8	5.1	5.4	
Petroleum and natural gas	1.7	2.2	2.6	3.1	3.5	3.7	3.9[x]	
Other mining and smelting	0.9	1.1	1.3	1.5	1.5	1.6	1.7	
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other utilities	0.4	0.4	0.3	0.3	0.3	0.4	0.4	
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	
Totals of above	**6.9**	**7.9**	**8.8**	**10.0**	**10.7**	**11.5**	**12.0**	

[1] For selected year ends 1926 to 1956 (without segregation of petroleum and natural gas industry) see Table XVI, *The Canadian Balance of Internat Payments, 1958 and International Investment Position.*

[2] Estimated from "Taxation Statistics" and other sources.

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating relative magnitudes only.

[4] The figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been included with m facturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, some of the year to year changes derived from the tabl have only a limited significance and may from time to time be misleading.

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CANADA

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS 1963, 1964 and 1965 and INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS

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DOMINION BUREAU OF STATISTICS
Balance of Payments and Financial Flows Division
Balance of Payments Section

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS 1963, 1964 and 1965 and INTERNATIONAL INVESTMENT POSITION

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AREA CLASSIFICATION OF CANADA'S INTERNATIONAL TRANSACTIONS

United States

United Kingdom

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, Burma, Iceland, Iraq (until 1959), Ireland, Jordan, Libya and Republic of South Africa.

Other OECD Countries include all the European countries participating in the Organisation for Economic Co-operation and Development, except the United Kingdom, Ireland and Iceland. These are Austria, Belgium, Luxembourg, Denmark together with Greenland, France, Federal Republic of Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. The United States, Canada and Japan are also members of the organization. Prior to 1962, this group was called the Organisation for European Economic Co-operation, in which Canada and the United States held only associate membership.

All Other Countries include countries in Latin America, Africa and Asia outside the Sterling Area, the Soviet Area, international financial agencies (unless otherwise indicated), and all other countries not specified above.

International Financial Agencies, where mentioned in this report, cover the International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.

OTHER RELATED PUBLICATIONS

"Quarterly Estimates of the Canadian Balance of International Payments" (Catalogue No. 67–001) $2.00 per year.

"The Canadian Balance of International Payments – A Compendium of Statistics from 1946 to 1965" (Catalogue No. 67–505) $2.50 per copy.

SYMBOLS

The interpretation of the symbols used in the tables throughout this publication is as follows:

.. figures not available.
... figures not appropriate or not applicable.
– nil or less than $0.5 million (less than $50 million in case of tables in billions of dollars).
-- amount too small to be expressed.
^{p} preliminary figures.
^{r} revised figures.
* new series not strictly comparable with earlier years.

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TABLE OF CONTENTS

SECTION 1. THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Text

	Page
Introduction	11
Current Transactions in Goods and Services	12
Merchandise Exports	12
Merchandise Imports	14
Non-merchandise Transactions	15
Travel Expenditures	16
Interest and Dividends	17
Interest Payments	18
Dividend Payments	19
Retained Earnings	19
Industrial Classification	19
Freight and Shipping	21
Inheritances and Migrant's Funds	22
Miscellaneous Transactions	22
About the figures – Comparison of payments to non-residents found in this report with those reported under the Corporations and Labour Unions Returns Act	25
Transactions by Areas	25
United States	25
United Kingdom	26
Rest of Sterling Area	28
Other OECD Countries in Europe	29
All Other Countries	30
Capital Movements	32
Background and Summary	32
† Sector Assets and Liabilities	36
Direct Investment in Canada	36
Direct Investment Abroad	38
Summary of Transactions in Portfolio Securities	39
Transactions in Outstanding Canadian Securities	40
New Issues and Retirements of Canadian Securities	42
Transactions in Foreign Securities	44
† United States "Income Accumulating Funds"	44
Long-term Investment Abroad by the Government of Canada	47
About the figures – Capital Movements in Long-term Forms Between Canada and the United States as Measured in the Two Countries	49
The Columbia River Treaty	50
Capital Movements in Short-term Forms	51
About the figures – Bank Balances and Other Short-term Funds Abroad (excluding Official Reserves)	55
Multilateral Settlements	57
Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF	58

Statements

1. Summary of the Canadian Balance of International Payments between Canada and All Countries, 1960-65	11
2. Adjustments to Merchandise Trade, 1962-65	12
3. Merchandise Exports, classified by Commodity Group and Stage of Fabrication, 1961-65	13
4. Merchandise Imports, classified by Commodity Group and Stage of Fabrication, 1961-65	14
5. Indexes of Prices, Terms of Trade, and Volume of Merchandise Trade, 1960-65	15
6. Balances of Non-merchandise Items, All Countries, 1960-65	15
7. Travel Expenditures, 1960-65	16
8. United States Dollar in Canada, 1960-65	16
9. Detail of Investment Income, Receipts and Payments, by Area, 1960-65	17
10. Receipts and Payments of Interest and Dividends Between Canada and All Countries, 1960-65	18

† Special review.

SECTION 1. THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS — Concluded

Statements — Concluded

Page

11. Interest Payments to Non-residents on All Canadian Bonds and Debentures, by Issuer, Currency and Area, 1962 and 1964 18
12. Estimated Total Direct Investment Earnings Accruing to Foreign Countries of Control, 1960-65 19
13. Industrial Classification of Dividend Payments on Direct and Portfolio Investments, by Area, 1962-65 20
14. Distribution of Dividends Paid by Selected Industries, 1960, 1962 and 1964 21
15. Detail of Freight and Shipping Transactions, Receipts and Payments, Between Canada and All Countries, 1960-65 22
16. Detail of Freight and Shipping Transactions, by Area, 1963-65 23
17. Components of All Other Current Transactions, Receipts and Payments, by Area, 1960-65 24
18. Summary of Current Account Balances, by Area, 1960-65 25
19. Summary of Canada's Current Transactions, by Area, 1960-65 27
20. Shipments of Wheat to Sino-Soviet Countries, 1961-65 31
21. Summary of the Canadian Balance of International Payments, 1959-65 32
22. Capital Movements in Long-term Forms, 1962-65 35
23. Capital Movements between Canada and Other Countries, 1963-65, Summary by sector assets and liabilities 36
24. Portfolio Transactions in Canadian Securities between Canada and Other Countries, 1963-65 41
25. Offerings and Deliveries of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1963-65 42
26. Yields on Representative Long-term Government Bonds, 1963-65 43
27. Portfolio Transactions in Foreign Securities between Canada and Other Countries, 1963-65 44
28. Net Purchases of Canadian Stocks by United States "Income Accumulating Funds" and All Other United States Residents, 1954-65 46
29. Selected Data relating to Canadian-based United States "Income Accumulating Funds", 1954-65 46
30. Export Credits Extended from Canada Directly or Indirectly at Risk of the Government of Canada, 1962-65 48
31. Columbia River Treaty Funds 51
32. Short-term Capital Flows, by Area, 1963-65 52
33. Transactions in Canadian Treasury Bills between Canada and All Countries, 1963-65 52
34. Canadian Chartered Banks, 1964-65, Net transactions in foreign currency assets and liabilities of head offices and branches in Canada 56
35. Bilateral Statement of Multilateral Settlements in the Canadian Balance of International Payments, 1963-65 57
36. Exchange Holdings and IMF Balance, 1963-65 58
37. Canada's Accounts with the International Monetary Fund 59

Charts

Total Non-resident Holdings of Canadian Short-term Money Market Instruments, 1963-65 53

Yields of Canadian and United States Three-month Treasury Bills, Weekly, 1963-65 53

Tables

1. Summary of the Canadian Balance of International Payments, 1926-65 100
2. Annual Statements of the Canadian Balance of International Payments, 1961-65 101
3. Quarterly Statements of the Canadian Balance of International Payments, 1963-65 104
4. Annual Statements of the Canadian Balance of International Payments, By Area, 1963-65 110
5. United States Direct Investment in Canada, Industrial Distribution of Capital Movements and Reconciliation with Change in Book Value, 1955-64 112
6. Estimated Constituents in the Value of Foreign Direct Investment in Canada, 1955-65 113
7. Foreign Direct Investment in Canada, by Area, 1955-65 113
8. Canadian Direct Investment Abroad, by Area, 1955-65 113
9. Portfolio Transactions in Canadian Securities Between Canada and All Other Countries, 1961-65 114
10. Portfolio Transactions in Foreign Securities Between Canada and All Other Countries, 1961-65 116

SECTION 2. CANADA'S INTERNATIONAL INVESTMENT POSITION

Text

	Page
General Review	63
About the figures — Foreign Direct and Short-term Investment in Canada, 1964 — Discontinuities	65
Canadian Long-term Investment Abroad	65
Equity of Non-residents in Canadian Assets Abroad	68
Direct Investment in Canada	69
Ownership of Net Canadian Long-term Funded Debt	70
Investment in Canadian Financial Institutions and Enterprises	72
Miscellaneous Foreign Investments in Canada	73
Number of Canadian Concerns with Some Foreign Ownership	74
Foreign Financing of All Canadian Investment	75
Foreign Ownership and Control of Canadian Industry	77
About the figures — Data on Foreign Ownership and Control in this Series of Reports and in Annual Reports under the Corporations and Labour Unions Returns Act	81
Manufacturing Operations in Canada of Foreign-controlled Enterprises	84
About the figures — Manufacturing Operations of Selected Foreign-controlled Enterprises	97

Statements

50. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-64	63
51. Value of Non-resident Owned Investments in Canada, Selected Year Ends, 1900-64	64
52. Value of United States Investments in Canada, Selected Year Ends, 1926-64	64
53. Coverage Adjustment, End of 1964	65
54. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends, 1949-64	66
55. Canadian Direct Investment in European Economic Community, (Common Market), Year Ends, 1959-64	66
56. Canadian Direct Investment Abroad, Industrial Detail, Year Ends, 1961-64	67
57. Non-resident Equity and Control of Canadian Direct Investment Abroad, Selected Year Ends, 1954-64	68
58. Direct Investment in Canada by Countries Other than the United States and United Kingdom, Selected Year Ends, 1955-63	69
59. Total Canadian and Foreign Investment in Canada in Enterprises Controlled in Countries Other than the United States and United Kingdom, Selected Year Ends, 1955-63	70
60. Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt, End of 1954 and 1964 by Currency of Payment	71
61. Detail of Foreign Investment in Financial Category, Selected Year Ends, 1962-64	72
62. Detail of Foreign Investment in "Miscellaneous Investments" Category, Year Ends, 1954-64	73
63. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1962-64	74
64. Foreign Financing of All Canadian Investment, 1946-65	75
65. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-65	76
66. Ownership and Control of Selected Canadian Industries, Net Change in Book Values, Nine Years Ending 1963	78
67. Ownership and Control of Selected Canadian Industries, Selected Year Ends, 1954-63	79
68. Analysis of Foreign Investments in "Other Manufacturing", 1963	79
69. Analysis of Control of Selected Canadian Industries, Year Ends, 1959-63	80
70. Selected Data relating to Aggregate Investment in Enterprises whose Principal Activity is Manufacturing, End of 1960	86
71. Totals and Averages per Establishment and Employee for Principal Statistics of Manufacturing for Selected Foreign-controlled Enterprises, 1961, by Size of Investment and Country of Control	87
72. Statistics of Manufacturing Operations of Canadian and Selected Foreign-controlled Establishments, 1961, by Size of Investment and Country of Control	88
73. United States-controlled Manufacturing Enterprises in Canada, Selected Year Ends, 1946-60, by Size of Investment	90
74. Foreign-controlled Enterprises in Canada, End of 1960, by Principal Activity, Country of Control and Size of Investment	91
75. Selling Value of Factory Shipments of Selected Foreign-controlled Manufacturing Establishments and of All Canadian Manufacturing Establishments for the Twenty Leading Industries in 1961, Ranked by Compound Annual Growth Rates of Factory Shipments, 1957-63	93
76. Statistics of Manufacturing Operations of Selected Foreign-controlled Establishments, 1961, by Geographic Region and Country of Control	94
77. Regional Sources of Total Selling Value of Factory Shipments from the Canadian Establishments of Selected Foreign-controlled Enterprises, 1961	96
78. Original and Revised Data, Number of Establishments and Selling Value of Factory Shipments, 1960	98

† Special review.

SECTION 2. CANADA'S INTERNATIONAL INVESTMENT POSITION—Concluded

Chart

Page

Financing of All Canadian Investment 76

Tables

V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-64 118
VI. Canada's Official Holdings of Gold and United States Dollars, 1953-65 118
VII. Canadian Long-term Investments Abroad, Selected Year Ends, 1926-64 119
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945-64, by type of assets and nature of national ownership 120
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1945-64, by type of investment 122
X. Foreign Direct Investment in Canada, Selected Year Ends, 1945-64, by type of business 123
XI. Number of Canadian Concerns Controlled Abroad, Year Ends, 1962-64, by type of business and country of ownership 124
XII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-64 126
XIII. Non-resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-63 127
XIV. Non-resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-63 127
XV. Ownership and Control of Selected Canadian Industries, Year Ends, 1961-63 128
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends, 1954-63 129
XVII. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, with Statistics of Manufacturing Operations for the Selected Enterprises, by principal activity of enterprise:
A. 1946 130
B. 1953 130
C. 1961 132
D. Investment in All and in Selected Manufacturing Enterprises in Canada Controlled in the United Kingdom and Other Foreign Countries, End of 1960, with Statistics of Manufacturing Operations for Selected Enterprises, 1961, by principal activity of enterprise 132
E. Investment in All and in Selected Foreign-controlled Manufacturing Enterprises in Canada, End of 1960, with Statistics of Manufacturing Operations for the Selected Enterprises, 1961, by principal activity of enterprise 134
Manufacturing Operations of All Canadian Establishments and of Selected Foreign-controlled Establishments:
XVIII. By geographic regions of Canada:
A. United States, 1953 134
B. United States, 1961 134
XIX. By establishment and twenty industry grouping:
A. United States, 1961 136
B. All Foreign Countries, percentages, 1961 138
C. United Kingdom and Other Foreign Countries, 1961 139
XX. By establishment and nine industry grouping:
A. United States, 1946 140
B. United States, 1953 140
C. United States, 1961 140
D. All Foreign Countries, percentages, 1961 142
E. United Kingdom and Other Foreign Countries, 1961 142

ABOUT THE FIGURES

Beginning with the 1960 report in this series, a number of brief notes have been included under the general title, *About the Figures.* These describe the statistical sources and methodology employed or other aspects of the date having continuing application. A list of the notes published to data follows.

	Year of report		
	1960	1961 and 1962	1963, 1964 and 1965
		page number	
Balance of payments presentations	64		
Current Account			
Merchandise trade		11-12	
Gold production available for export		16	
Travel expenditures		16	
Income account		18-19	
Freight and shipping transactions		27	
Miscellaneous current transactions		30-31	
Comparison of payments to non-residents found in this report with those reported under the Corporations and Labour Unions Returns Act			25
Capital Account			
Foreign direct investment in Canada	35		
Transactions in portfolio securities		52	
Capital movements in long-term forms between Canada and the United States as measured in the two countries			49
Canadian dollar holdings of foreigners		62	
Non-resident participation in Canadian short-term money markets		68	
Bank balances and other short-term funds abroad (excluding official reserves)			55
Official holdings of gold and foreign exchange		66	
International Investment Position			
Foreign direct and short-term investment in Canada, 1964—discontinuities			65
Foreign financing of all Canadian investment	50		
Miscellaneous investments	54		
Industrial classifications	55		
Canadian portfolio investment in stocks of United States corporations		79-80	
Foreign ownership and control		95-97	
Data on foreign ownership and control in this series of reports and in annual reports under the Corporations and Labour Unions Returns Act			81
Estimated values of total capital and resident-owned capital in some areas of national wealth	62		
Manufacturing operations of selected foreign-controlled enterprises			97

SECTION 1

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

1963, 1964 and 1965

INTRODUCTION

The Canadian economy forged ahead in the years 1963, 1964 and 1965. There were successive increases of real output with the rate of growth reaching 6.5 per cent in the fifth year of expansion in 1965. The devaluation of the Canadian dollar in 1962 improved the country's competitive position; and with the world trading environment continuing to be generally favourable, except for the economic slowdown in 1965 affecting the United Kingdom and Japan among Canada's important markets, Canada's exports rose impressively. Large shipments of wheat to Sino-Soviet countries in the 3-year period under review were of considerable importance. Expanding production from new mines in the Quebec-Labrador area caused exports of iron ore to rise sharply in 1964. The signing of the Canada-United States Automotive Agreement in January 1965 led to a substantial increase in both exports and imports of motor vehicles and parts. In the first year of operation in 1965, however, Canada's import balance on automotive products continued to widen. Merchandise imports also increased vigorously in response to the strong domestic demand for materials, machinery and other investment goods, automobiles and consumer goods. In contrast, the value of imports of foods declined in 1965, owing to a sharp drop in the price of sugar. The transition in 1962 from a fluctuating to a fixed rate of exchange, as well as the accompanying reduction in the foreign exchange value of the Canadian dollar, was an important underlying element in the background affecting trade and some other items of Canada's balance of international payments. The deficit on non-merchandise transactions, which topped $1 billion by a small margin in 1962 and 1963, rose to $1,125 million in 1964 and and to $1,201 million in 1965.

Inflows from abroad of capital in long-term forms were roughly equal to the deficit on current transactions in 1963 and 1964, but failed to keep pace with the rising current account deficit in 1965 when there was a substantial inflow of capital in short-term forms. This included heavy drawbacks of foreign currency bank deposits and other short-term funds employed abroad. Net inflows from security transactions (in particular from rising sales of new issues abroad) have dominated the long-term movements of capital. The receipts of foreign capital for direct investment in Canada were less substantial in 1963 and 1964 but recovered to a more normal level in 1965. Special transactions in connection with the Columbia River Treaty brought in $54 million in 1964 and $32 million in 1965.

In this period the United States authorities took several important measures to improve their balance of payments position. The first of these, introduced in July 1963 and promulgated in September 1964, was an interest equalization tax designed to raise by one per cent the cost of foreign borrowing in New York. There was an immediate adverse reaction on the Canadian financial markets, which however was ameliorated when an exemption was shortly negotiated for Canadian new issues. Further measures were taken in 1965 with the introduction of the United States foreign investment guidelines early in the year. The cumulative effect was to make the Canadian balance of payments and the problems of management of the Canadian economy even more interdependent with developments and conditions in the United States. This task was not made any easier by the failure of a prominent finance company in June 1965 and the uncertainties it caused in the Canadian financial markets.

STATEMENT 1. Summary of the Canadian Balance of Payments between Canada and All Countries, 1960-65

Account	1960	1961	1962	1963	1964	1965	Change
	millions of dollars						
Merchandise exports (adjusted)	5,392	5,889	6,387	7,082	8,238	8,745	+ 507
Merchandise imports (adjusted)	5,540	5,716	6,203	6,579	7,537	8,627	+1,090
Merchandise trade balance	- 148	173	184	503	701	118	- 583
Non-merchandise receipts	1,787	1,899	2,036	2,207	2,509	2,719	+ 210
Non-merchandise payments	2,872	3,000	3,050	3,231	3,634	3,920	+ 286
Deficit on non-merchandise transactions	-1,085	-1,101	-1,014	-1,024	-1,125	-1,201	- 76
Current account balance	-1,233	- 928	- 830	- 521	- 424	-1,083	- 659
Capital movements[1]	1,194	1,218	985	667	787	1,240	+ 453
Long-term forms	929	930	688	637	820	713	- 107
Short-term forms	265	288	297	30	- 33	527	+ 560
Change in official holdings of gold, foreign exchange, and net balance with International Monetary Fund	- 39	290	155	146	363	157	- 206

[1] Excluding change in official exchange holdings.

CURRENT TRANSACTIONS IN GOODS AND SERVICES

In the lengthy period of economic expansion since 1961, Canada's deficit in transactions with other countries in current goods and services narrowed annually until 1965. The severe but temporary exchange difficulties experienced in 1962, which responded rapidly to the official remedial measures, did not leave a marked impact on the annual balance of payments, in particular those pertaining to current goods and services. The developments are chronicled in the relevant quarterly reports on the balance of payments, and are also analyzed in the 1962 Annual Report of the Governor of the Bank of Canada. The current deficit of $424 million in 1964 was about 45 per cent of the $928 million deficit in 1961. The deficit of $1,083 million in 1965 was in the direction of the billion-and-a-third dollar level, which was the average for the period from 1956 to 1960. As the negative balance on non-merchandise transactions moved in the sixties within a narrow range of between $1,000 million and $1,200 million, the larger changes in the annual current account deficits originated in merchandise transactions. The import balances, which accompanied the hoist in capital expenditures in the mid-fifties, continued until 1960. The merchandise trade deficit of $148 million in that year swung around into a surplus of $173 million in 1961, with a sharp gain in wheat sales. This surplus expanded to $503 million in 1963 and to $701 million in 1964 before subsiding to $118 million in 1965. The fluctuations in the merchandise trade balances resulted from more substantial gains in commodity exports in 1963 and 1964 followed by a much larger increase in merchandise imports than in exports in 1965.

Merchandise Exports

Between 1961 and 1965, the increases in merchandise exports and imports were both large. Merchandise exports expanded $2,856 million or 48.5 per cent from $5,889 million in 1961 to $8,745 million in 1965. Merchandise imports rose $2,911 million or 51 per cent from $5,716 million to $8,627 million over the same period.

The estimates of merchandise trade found in the statements and tables of this report have been derived by adjusting the Trade of Canada figures (Catalogue Nos. 65-004 and 65-007) for balance of payments use. These adjustments, which are described in *"About the figures"* on Merchandise Trade on page 12 of the balance of payments report for 1961-62, include corrections for lags and omissions (from a balance of payments point of view) and a reflection of progress payments preceding deliveries of ships, aircraft and certain defence goods.

STATEMENT 2. Adjustments to Merchandise Trade, 1962-65

Item	1962		1963		1964		1965	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	millions of dollars							
Totals in trade returns	6,347.7	6,257.8	6,980.1	6,558.2	8,303.4	7,487.7	8,766.7	8,633.4
Wheat	+ 6.5	—	+ 37.7	—	−29.7	—	+15.8	—
Warehousing	+ 9.9	+37.0	+ 9.6	+20.5	—	—	—	—
Ships	− 0.3	+ 7.6	+ 1.3	+ 4.8	+ 3.2	+ 2.6	+ 2.2	+ 2.2
Civil aircraft	+ 0.5	−77.7	+ 0.2	+16.4	+ 0.2	+26.2	+ 4.9	+10.2
Defence goods	+ 7.2	+15.1	+ 42.4	+ 6.1	−41.9	+40.5	−42.0	+ 0.4
All other adjustments	+15.6	−36.8	+ 10.8	−27.4	+ 2.7	−20.2	− 2.8	−19.5
Total adjustments	+39.4	−54.8	+102.0	+20.4	−65.5	+49.1	−21.9	− 6.7
Adjusted merchandise trade (Table 2, items A1, B1)	**6,387**	**6,203**	**7,082**	**6,579**	**8,238**	**7,537**	**8,745**	**8,627**

Some of the more important adjustments for current years are shown in the accompanying statement. Being mainly compensation for lags in the export tabulation, the adjustments for wheat tend to be self-cancelling over time. With the change in 1964 in the presentation of the basic statistics from "special trade" (recording at the customs boundary) to "general trade" (recording at the national boundary), the warehousing adjustment became no longer necessary. The adjustments to substitute progress payments for deliveries of civil aircraft have been large, as have been similar adjustments pertaining to military aircraft, submarines and other defence goods.

Wheat has been one of the important contributors to the growth in merchandise exports. From a shade under $400 million in 1960, shipments of wheat exceeded $600 million in 1961 and 1962 and $800 million in 1963. The value of clearances

climbed to nearly $1 billion in 1964 before declining to about $850 million in 1965. Shipments of wheat and flour under contracts with the U.S.S.R. were valued at roughly $190 million, $305 million and over $250 million respectively in 1963, 1964 and 1965.

Even within a short period from 1961 to 1965, there were noticeable shifts in the relative importance of commodity exports. Summarized by the stage of fabrication, the proportion of crude materials slowly narrowed from 37 per cent in 1961 to 35 per cent of total exports in 1965. The decline in fabricated materials was more noticeable, from more than 50 per cent to 46 per cent in the same period. On the other hand, the relative share of end or manufactured products rose impressively from about 12 per cent in 1961 to nearly 19 per cent in 1965. Shipments of metal and mineral materials increased 44 per cent from $1,861 million in 1961 to $2,686 million in 1965, but the relative share of this group declined from 31.5 per cent to 30.5 per cent of total exports. Exports of forest products, which constituted the next important group of commodities, rose 29 per cent from $1,623 million to $2,100 million, but their relative shares of total exports dropped from over 27 per cent in 1961 to 24 per cent in 1965.

Farm and fish products represented 22 per cent of total exports in 1961, on account particularly of large deliveries of wheat to Mainland China and to Communist countries in Eastern Europe, and about the same proportion in 1964. The percentage share slipped down below 20 per cent in 1965 with smaller shipments to the U.S.S.R. and other Communist countries. The decline in the proportionate shares between 1961 and 1965 occurred notwithstanding a rise of over $100 million in the exports of fish, meat and cattle. Similarly an $85 million gain in shipments of chemicals and fertilizers from $251 million in 1961 to $336 million in 1965 was not enough to maintain the relative share of the group, which narrowed slightly to below 4 per cent.

STATEMENT 3. Merchandise Exports, classified by Commodity Group and Stage of Fabrication, 1961 - 65

Group	1961	1962	1963	1964	1965
	millions of dollars				
Exports:					
Commodity group:					
Farm and fish products	1,301	1,264	1,464	1,844	1,736
Forest products	1,623	1,701	1,824	2,009	2,100
Metals and minerals	1,861	2,063	2,169	2,493	2,686
Chemicals and fertilizers	251	248	268	308	336
Other manufactured goods and miscellaneous	719	903	1,073	1,440	1,667
Totals	**5,755**	**6,179**	**6,798**	**8,094**	**8,525**
Stage of fabrication:					
Crude materials	2,132	2,242	2,490	2,959	2,995
Fabricated materials	2,917	3,059	3,265	3,714	3,926
End products	706	878	1,043	1,421	1,604
Totals	**5,755**	**6,179**	**6,798**	**8,094**	**8,525**
Re-exports	140	169	182	209	242
Totals, all exports[1]	**5,895**	**6,348**	**6,980**	**8,303**	**8,767**

[1] As published in "Trade of Canada: Exports".

The largest expansion in the share of total exports, as mentioned before, from about 12 per cent in 1961 to 19 per cent in 1965, was recorded by other manufactured goods. These exports were valued at $719 million in 1961 and $1,667 million in 1965. Included in the total for 1961 were whisky ($80 million), agricultural, mining and industrial machinery ($150 million), aircraft ($100 million), motor vehicles (nearly $50 million) and other machinery and equipment (over $110 million). The same commodity groups were distributed as follows in the 1965 total of manufactured goods: whisky (under $120 million). agricultural, mining and industrial machinery (over $320 million), aircraft and parts (nearly $210 million), motor vehicles and parts (over $360 million), and other machinery and equipment (nearly $250 million). The major part of the increase in shipments of motor vehicles and parts occurred in 1965, as the totals for 1964 and 1963 were, respectively, roughly $190 million and nearly $100 million.

The near doubling of exports of automotive equipment in 1965 developed from the signing at the beginning of the year of the Canadian - United States Automotive Agreement, which provided for the removal of tariffs from the two-way trade in new cars and parts. As the rise in imports exceeded that in exports, the deficit on trade with all countries in automobiles and parts expanded by about a fifth in 1965. Other important influences affecting the exports of manufactured goods were the United States defence production-sharing business placed in Canada,

particularly in aircraft, and the export credits financing of durable goods shipped to India and various Latin American countries.

Merchandise Imports

At $8,627 million, merchandise imports in 1965 were half as much again as $5,716 million in 1961. The proportion of foods declined from a little over 10 per cent in 1961 to 8 per cent in 1965, although imports of food commodities increased $90 million between the two years. Likewise other consumer goods narrowed from 11 per cent to well under 10 per cent, notwithstanding an absolute increase of roughly $170 million. Smaller reductions took place in the percentage shares of industrial and construction materials, fuels and lubricants. Industrial material imports at over $1,550 million constituted the most important group of commodities in 1961, representing about 27 per cent of total imports. The share of these imports valued at nearly $2,320 million was down fractionally in 1965. The next single group in importance was producers' equipment, whose imports exceeded $1,310 million and 22 per cent of total imports in 1961. These imports expanded nearly 65 per cent to about $2,160 million, and represented 25 per cent of all imports in 1965. Imports of motor vehicles and parts more than doubled from somewhat below $550 million in 1961 to almost $1,170 million in 1965; and the proportionate shares of these imports were over 9 and 13 per cent respectively. Fully one half of the rise of $620 million in imports of automotive equipment took place in 1965, following the signing of the free-trade agreement with the United States, as referred to before. Imports of other transportation equipment and parts, on the other hand, declined some $70 million from 1961 to $280 million in 1965, and the percentage share of total imports was about halved to roughly 3 per cent.

By stage of fabrication, the proportions of imports did fluctuate between 1961 and 1964 but not by very much from the average levels over the four years. These averages were about 19 per cent for crude materials, more than 27 per cent for fabricated materials and well over 53 per cent for end products. In 1965, however, end products rose to more than 56 per cent, while fabricated materials slipped below 27 per cent and crude materials declined to less than 17 per cent, despite absolute increases in 1965 of nearly $55 million in the crude and about $275 million in fabricated materials. Contributing to the rising share for end products were increases in 1965 of imports of machinery of about $160 million, transportation and communication equipment of nearly $425 million (of which over $300 million being attributable to motor vehicles and parts), and equipment, tools, consumer goods and miscellaneous manufactured products together of nearly $200 million.

STATEMENT 4. Merchandise Imports, classified by Commodity Group and Stage of Fabrication, 1961-65

Group	1961	1962	1963	1964	1965
	millions of dollars				
Commodity group:					
Fuels and lubricants	464	480	529	547	627
Industrial materials	1,560	1,751	1,857	2,079	2,317
Construction materials	213	220	203	274	311
Producers' equipment	1,314	1,479	1,617	1,896	2,163
Transportation equipment and parts (excluding motor vehicles)	352	303	177	194	280
Motor vehicles and parts	546	655	698	849	1,168
Foods	597	581	710	713	687
Other consumer goods	637	651	628	719	808
Other commodities	86	138	139	217	272
Totals	**5,769**	**6,258**	**6,558**	**7,488**	**8,633**
Stage of fabrication:					
Crude materials	1,109	1,205	1,302	1,401	1,455
Fabricated materials	1,557	1,662	1,820	2,051	2,325
End products	3,103	3,391	3,436	4,036	4,853
Totals[1]	**5,769**	**6,258**	**6,558**	**7,488**	**8,633**

[1] As published in "Trade of Canada: Imports".

From 1961, the rise in average import prices outpaced the advance in average export prices, except in 1965, when there was no increase in the import prices, taking the year as a whole. In this year, the average import prices, as seen from the accompanying statement, stood nearly 10 per cent above the level of 1961, while the average export prices were less than 7 per cent higher. Accordingly, Canada's terms of trade became less favourable.

STATEMENT 5. Indexes of Prices, Terms of Trade and Volume of Merchandise Trade, 1960-65
(1948 = 100)

Period	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1960	123.0	115.5	106.5	140.2	181.3
1961	124.0	119.1	104.1	152.3	185.0
1962	128.1	124.5	102.9	158.3	192.0
1963	128.9	129.4	99.6	173.2	193.6
1964	130.7	130.8	99.9	203.3	218.7
1965	132.4	130.8	101.2	211.3	252.1
1963 I	128.8	127.0	101.4	147.0	170.1
II	128.9	128.9	100.0	173.2	201.1
III	128.9	131.4	98.1	175.5	192.2
IV	128.7	130.2	98.8	197.3	210.6
1964 I	129.3	132.6	97.5	176.4	190.6
II	130.5	132.7	98.3	211.0	235.6
III	131.4	129.9	101.2	216.9	214.0
IV	131.9	129.8	101.6	208.1	231.4
1965[P] I	130.9	131.7	99.4	179.8	213.4
II	132.2	129.5	102.1	209.4	263.1
III	133.3	131.4	101.4	212.6	246.3
IV	133.9	131.2	102.1	241.9	284.8

Non-merchandise Transactions

The deficit on non-merchandise transactions fluctuated within a narrow range in the sixties and reached a level of $1,200 million in 1965. Interest and dividends, which accounted for one half of the non-merchandise deficit in 1961, accounted for over 63 per cent in 1965, as shown in the accompanying statement. The contribution by travel transactions of nearly one fifth of the deficit in 1960 contracted sharply in the following years, in particular after the lowering of the Canadian dollar in May 1962 to a new fixed par value of 92.5 cents (U.S.). From a small deficit in 1962, the balance on travel switched to a small surplus in 1963 before returning to a deficit position. Net payments of migrants' funds and inheritances, which represented over 6 per cent of the "invisible" deficit in 1961, narrowed gradually to a position of balance in 1965. The deficit on freight and shipping services fluctuated between about 3 per cent and more than 8 per cent of the total in the period 1961 to 1965, and the value of gold production available for export served as an offset to reduce the non-merchandise deficit by between 11 per cent and about 15 per cent. The substantial remaining portion of the deficit, fluctuating between 36 per cent and 44 per cent, originated from other current transactions, including official contributions.

With the slow decline in recent years in the shipments from Canadian gold mines of crude bullion, the value of gold production available for export contracted from $162 million in 1961 to $138 million in 1965, which was at the lowest level since 1949. Gold production had stepped up to a higher level in that year with the start of financial assistance to marginal mines.

STATEMENT 6. Balances of Non-merchandise Items, All Countries, 1960-65

Item	1960	1961	1962	1963	1964	1965
	millions of dollars					
Gold production available for export	+ 162	+ 162	+ 155	+ 154	+ 145	+ 138
Travel expenditures	– 207	– 160	– 43	+ 24	– 50	– 32
Interest and dividends	– 485	– 551	– 581	– 630	– 678	– 761
Freight and shipping	– 91	– 82	– 86	– 85	– 35	– 82
Inheritances and migrants' funds	– 82	– 72	– 51	– 34	– 32	–
Other current transactions including official contrications	– 382	– 398	– 408	– 453	– 475	– 464
Balance on non-merchandise transactions	**–1,085**	**–1,101**	**–1,014**	**–1,024**	**–1,125**	**–1,201**

Travel Expenditures

The sharp improvement in Canada's international travel account over the three years 1961 to 1963 was concentrated in transactions with the United States. As seen from Statement 7, the travel deficit with overseas countries remained unchanged at about $136 million over the 3-year period, as moderate increases of about the same size occurred in both the receipts and payments for travel in overseas countries. The receipts from United States travellers expanded from $435 million in 1961 to $512 million in 1962 and to $549 million in 1963, while Canadian travel expenditures in the United States declined over 15 per cent from $459 million in 1961 to $388 million in 1963. The stabilization of the Canadian dollar at a lowered value in terms of foreign currency, referred to above, and the reduction in mid-1962 in the privilege of duty-free imports by returning Canadians were important factors which contributed to the decline in the spending. The surplus in 1963 of $161 million on travel account with the United States was the largest on record. In the following two years, the receipts from the United States increased more than 7 per cent and nearly 12 per cent to $590 million and $660 million. Probably as Canadians became inured somewhat to the restraining influence of devaluation and curtailment of duty-free tourist purchases, the expenditures turned up sharply to $481 million in 1964, or 24 per cent, and a further 10 per cent to $531 million in 1965. The travel surplus with the United States contracted to $109 million in 1964, before rising to $129 million in 1965.

STATEMENT 7. Travel Expenditures, 1960 - 65

Detail	1960	1961	1962	1963	1964	1965	Change in 1965
	millions of dollars						
United States:							
Receipts	375	435	512	549	590	660	+70
Payments	462	459	419	388	481	531	+50
Balance	– 87	– 24	+ 93	+161	+109	+129	+20
Overseas:							
Receipts	45	47	50	60	72	87	+15
Payments	165	183	186	197	231	248	+17
Balance	–120	–136	–136	–137	–159	–161	– 2
All countries:							
Receipts	420	482	562	609	662	747	+85
Payments	627	642	605	585	712	779	+67
Balance	–207	–160	– 43	+ 24	– 50	– 32	+18

As a result of a continuing expansion in travel expenditures overseas from $197 million in 1963 to $231 million in 1964, about three times as large as the increase in receipts from $60 million to $72 million, the deficit on overseas travel account widened from $137 million to $159 million in 1964. The introduction in this year of reduced airline fares for overseas travel covering two to three weeks' duration was undoubtedly a factor in the rise in Canadian travel expenditures abroad. The travel deficit with overseas countries widened slightly in 1965 to $161 million, with absolute increases of about the same size in both the receipts and payments.

A more detailed presentation and analysis of international travel statistics will be found in the annual publication of the Balance of Payments Section, "Travel Between Canada and Other Countries" (Catalogue No. 66 - 201).

STATEMENT 8. United States Dollar in Canada, 1960 - 65

Quarter	High	Low	Close	Noon average
	Canadian cents			
1960	99.81	94.94	99.66	96.97
1961	104.38	98.25	104.34	101.32
1962	109.00	104.69	107.72	106.89
1963	108.56	107.59	108.06	107.85
1964	108.25	107.25	107.38	107.86
1965	108.50	107.31	107.50	107.80
1964 I	108.09	107.94	108.06	108.02
II	108.25	108.03	108.13	108.09
III	108.22	107.50	107.50	107.87
IV	107.63	107.25	107.38	107.46
1965 I	108.44	107.31	107.97	107.71
II	108.38	107.72	108.34	108.04
III	108.50	107.53	107.59	107.94
IV	107.78	107.38	107.50	107.53

Interest and Dividends

As an issue largely of the continuing growth in Canada's net balance of indebtedness from $17.6 billion at the end of 1961 to about $21½ billion at the end of 1965, net payments of interest and dividends, as seen from the accompanying statement, grew appreciably from $581 million in 1962 to $761 million in 1965. Over the period there was a 31 per cent rise, of which 12 per cent occurred in 1965.

The expansion in net payments of interest and dividends was a consequence of a greater and more regular increase in the payments. The receipts gained from $202 million in 1962 to $310 million in 1965. The largest recorded receipts of $332 million in 1964 were due to unusually large inflows of dividends arising from direct investment. As mentioned in *"About the figures"* on the Income Account on page 18 of the annual report on the balance of payments for 1961 and 1962, interest and discount earned by the Exchange Fund Account constituted an important and increasing element in total receipts of interest. Following additions to the assets of the Account, particularly in 1962, the earnings on investments rose to a higher level in 1963. Total interest receipts, including those on portfolio holdings of foreign bonds, were estimated at $99 million in 1963 as compared with $80 million for the preceding year. These receipts declined to $84 million in 1964 due to the deferment by the British authorities in that year (and also in 1965) of the regular interest of some $20 million on the 1946 loan. On the other hand the receipts from the United States Government of nearly $10 million of interest on holdings of non-marketable securities contributed to raising the 1965 total to $94 million. These special bonds were purchased under the financial arrangements concluded in connection with the Columbia River Treaty.

Paralleling the continuing expansion of Canadian direct investment abroad and also of portfolio investment in foreign stocks, dividend receipts increased 77 per cent from $122 million in 1962 to $216 million in 1965. The even larger total of $248 million in 1964 contained, as referred to above, some $60 million of extraordinary dividends on direct investment. In contrast to the highly irregular fluctuations characteristic of the returns on direct investment, the dividends received on portfolio investment rose fairly steadily from about $50 million in 1962 to $70 million in 1965.

STATEMENT 9. Detail of Investment Income, Receipts and Payments, by Area, 1960-65

Year	United States			United Kingdom			Other countries			All countries			
	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Total
	Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		
	millions of dollars												
Receipts:													
1960	34	64	74	8	24	5	26	15	4	68	103	83	254
1961	33	79	77	12	25	4	47	17	6	92	121	87	300
1962	28	92	71	5	23	12	40	14	12	73	129	95	297
1963	38	117	51	7	24	19	31	13	14	76	154	84	314
1964	63	127	57	77	3	33	48	14	21	188	144	111	443
1965	61	143	65	33	7	37	52	14	29	146	164	131	441
Payments:													
1960	280	255	93	32	51	11	6	32	31	318	338	135	791
1961	350	280	101	35	52	11	11	36	30	396	368	142	906
1962	352	304	114	38	47	11	8	34	35	398	385	160	943
1963	372	355	122	36	46	17	16	35	35	424	436	174	1,034
1964	485	365	132	58	46	17	19	37	52	562	448	201	1,211
1965	516	403	145	43	48	14	22	39	59	581	490	218	1,289

STATEMENT 10. Receipts and Payments of Interest and Dividends Between Canada and All Countries, 1960-65

Period	Receipts			Payments			Balance
	Interest	Dividends	Total	Interest	Dividends	Total	
	millions of dollars						
1960	76	95	171	239	417	656	-485
1961	79	134	213	259	505	764	-551
1962	80	122	202	274	509	783	-581
1963	99	131	230	314	546	860	-630
1964	84	248	332	335	675	1,010	-678
1965	94	216	310	372	699	1,071	-761
1963 I	17	28	45	65	131	196	-151
II	21	34	55	90	108	198	-143
III	18	26	44	67	114	181	-137
IV	43	43	86	92	193	285	-199
1964 I	19	48	67	73	166	239	-172
II	22	38	60	94	125	219	-159
III	19	35	54	71	148	219	-165
IV	24	127	151	97	236	333	-182
1965 I	20	47	67	77	163	240	-173
II	26	47	73	108	144	252	-179
III	19	51	70	78	152	230	-160
IV	29	71	100	109	240	349	-249

Interest Payments

Interest payments rose fairly steadily from $274 million in 1962 to $372 million in 1965, or more than 35 per cent over the period. Large new sales to foreign investors of corporate and provincial debentures and lesser amounts of Government of Canada and municipal bonds underlay the annual increases in the interest payments. Trade in outstanding bonds contributed modestly as well to these increases, while continuing retirements of all classes of bonds provided partial offsets.

The accompanying statement indicates that with the rise in the interest paid in foreign currencies from $182 million in 1962 to $239 million in 1964, the proportion widened from about two-thirds to more than 70 per cent of total interest payments. The interest paid in Canadian dollars went up $5 million to $87 million in 1964, but the relative share of the total declined from about 30 per cent to 26 per cent. The amount of $74 million paid by provincial authorities in 1962 represented 27 per cent of total interest payments to non-residents; and the payment of $105 million in 1964 raised the proportion to over 31 per cent. Canadian corporations, including railways, paid $128 million in interest in 1962, or well over 46 per cent of total payments, and $142 million, or more than 42 per cent of the total in 1964.

STATEMENT 11. Interest Payments to Non-residents on All Canadian Bonds and Debentures, by Issuer, Currency and Area, 1962 and 1964

Detail	All countries		United States		United Kingdom		Other countries	
	1962	1964	1962	1964	1962	1964	1962	1964
	millions of dollars							
Government of Canada	23	35	14	27	2	1	7	7
Provincial	74	105	70	101	3	2	1	2
Municipal	49	53	47	51	1	1	1	1
Railway	16	15	7	6	7	7	2	2
Other corporation	112	127	102	117	5	5	5	5
Totals	**274**	**335**	**240**	**302**	**18**	**16**	**16**	**17**
Payable in:								
(a) Canadian dollars	82	87	58	63	10	9	14	15
(b) Foreign currencies	182	239	172	231	8	7	2	1
(c) Optionally in (a) or (b)	10	9	10	8	—	—	—	1

Dividend Payments

Dividend payments expanded 37 per cent from $509 million in 1962 to $699 million in 1965. The payments of $505 million in 1961 stood almost as high as the 1962 total because of the apparent carry-over into 1961 of some $30 million to $40 million of dividends, which normally would have been paid in the fourth quarter of 1960. The supplementary budget introduced in late December of 1960 probably contributed to delaying some dividend remittances. Over two thirds of the impressive rise in dividend payments from $546 million in 1963 to $675 million in 1964 was attributed to an extraordinary dividend declared by a Canadian subsidiary to its parent in the United States before the introduction of minority interests, together with some other non-recurring dividends. Despite the absence of these non-recurring payments in 1965, direct investment dividends were even higher, due to larger payments by both public companies and subsidiaries.

Retained Earnings

As shown in the accompanying statement, the income remitted in the sixties averaged about 52 per cent of the estimated total direct investment earnings accruing to foreign countries of control of investments in Canada, as compared with an average of about 45 per cent in the decade of the fifties and of roughly 55 per cent in the early postwar years. In the 3 recent years ending in 1964, about 60 per cent on the average was retained by non-resident controlled firms in manufacturing, over 20 per cent in mining, petroleum and natural gas and the remainder in utilities, merchandising and financial institutions. Well over 90 per cent of the undistributed earnings accrued to investors in the United States.

STATEMENT 12. Estimated Total Direct Investment Earnings Accruing to Foreign Countries of Control, 1960 - 65

Item	1960	1961	1962	1963	1964	1965
	millions of dollars					
Remitted income[1]	318	396	398	424	562	581
Allowance for witholding tax	28	57	52	52	58	..
Undistributed earnings	280	240	305	410	455	..
Total earnings	**626**	**693**	**755**	**886**	**1,075**	..
Percentage of earnings distributed abroad	51	57	53	48	52	..

[1] Including interest paid on funded debt owned to non-resident parent companies.

The payments of dividends on portfolio investments rose only moderately from $118 million in 1962 to $125 million in 1965. The impact of buoyant corporation profits on dividend payments abroad was reduced by fairly sizeable retirements and more substantial repurchases of Canadian stocks in recent years.

Industrial Classification

As a result of the much larger increase in dividend payments on foreign direct rather than on portfolio investments, the proportion of the former rose from about 77 per cent in 1962 to 82 per cent in 1965. Industrially, as seen in Statement 13, dividends paid abroad by companies engaged in manufacturing activity stood at $241 million and $330 million and represented over 47 per cent and 49 per cent of all dividends remitted abroad in 1962 and 1964, respectively. Dividends paid by mining and smelting, excluding petroleum and natural gas, amounted to over $83 million, representing more than 16 per cent of all dividend payments in 1962, and expanded to $141 million, accounting for roughly 21 per cent of the 1964 total. Dividend remittances by the integrated petroleum and natural gas industry increased from nearly $78 million in 1962 to more than $91 million in 1964. The ratios of these to total payments stood at more than 15 per cent and between 13 and 14 per cent in the two years. The payments of dividends abroad by financial institutions on the other hand declined from $44 million, and under 9 per cent of the total in 1962, to over $35 million, and more than 5 per cent of total dividend payments in 1964. Utilities, merchandising and other enterprises accounted for a minor share of about 12 per cent of all dividend payments to non-residents.

STATEMENT 13. Industrial Classification of Dividend Payments[1] on Direct and Portfolio Investments, by Area, 1962-65

Industry	All countries			United States			United Kingdom			Other countries		
	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total
	millions of dollars											
1962												
Manufacturing:												
Vegetable products	18.6	9.8	28.4	11.2	8.3	19.5	6.0	1.1	7.1	1.4	0.4	1.8
Animal products	4.5	0.1	4.6	4.4	0.1	4.5	0.1	–	0.1	–	–	–
Textiles	3.8	0.7	4.5	2.1	0.3	2.4	1.7	0.3	2.0	–	0.1	0.1
Wood and paper products	29.8	11.4	41.2	23.7	8.7	32.4	6.1	2.2	8.3	–	0.5	0.5
Iron and its products	82.6	5.0	87.6	81.3	3.7	85.0	1.3	0.8	2.1	–	0.5	0.5
Non-ferrous metals	20.0	1.7	21.7	19.7	0.7	20.4	0.2	0.2	0.4	0.1	0.8	0.9
Non-metallic minerals	7.8	0.4	8.2	7.0	0.1	7.1	0.2	0.3	0.5	0.6	–	0.6
Chemicals and allied products	40.4	1.9	42.3	28.9	1.3	30.2	10.1	0.4	10.5	1.4	0.2	1.6
Miscellaneous manufactures	2.7	0.1	2.8	2.7	0.1	2.8	–	–	–	–	–	–
Sub-totals manufacturing	**210.2**	**31.1**	**241.3**	**181.0**	**23.3**	**204.3**	**25.7**	**5.3**	**31.0**	**3.5**	**2.5**	**6.0**
Petroleum and natural gas	71.7	6.0	77.7	71.5	3.4	74.9	–	1.1	1.1	0.2	1.5	1.7
Mining and smelting	52.6	30.9	83.5	52.5	18.2	70.7	0.1	4.5	4.6	–	8.2	8.2
Utilities	5.8	23.5	29.3	4.4	12.0	16.4	0.6	7.6	8.2	0.8	3.9	4.7
Merchandising	22.7	1.6	24.3	14.9	0.8	15.7	7.2	0.8	8.0	0.6	–	0.6
Financial institutions	19.7	24.5	44.2	13.4	12.3	25.7	3.6	10.5	14.1	2.7	1.7	4.4
Other enterprises	7.7	0.8	8.5	7.3	0.7	8.0	0.3	–	0.3	0.1	0.1	0.2
Sub-totals, non-manufacturing	**180.2**	**87.3**	**267.5**	**164.0**	**47.4**	**211.4**	**11.8**	**24.5**	**36.3**	**4.4**	**15.4**	**19.8**
Totals	**390.4**	**118.4**	**508.8**	**345.0**	**70.7**	**415.7**	**37.5**	**29.8**	**67.3**	**7.9**	**17.9**	**25.8**
1963												
Totals	**417**	**129**	**546**	**365**	**81**	**446**	**36**	**29**	**65**	**16**	**19**	**35**
1964												
Manufacturing:												
Vegetable products	42.9	11.5	54.4	35.9	9.8	45.7	6.7	1.2	7.9	0.3	0.5	0.8
Animal products	4.2	0.1	4.3	4.1	0.1	4.2	0.1	–	0.1	–	–	–
Textiles	9.8	0.6	10.4	6.2	0.2	6.4	3.6	0.4	4.0	–	–	–
Wood and paper products	27.2	15.3	42.5	17.2	11.7	28.9	10.0	2.7	12.7	–	0.9	0.9
Iron and its products	124.5	5.8	130.3	120.4	4.5	124.9	1.9	0.8	2.7	2.2	0.5	2.7
Non-ferrous metals	24.3	1.6	25.9	22.9	0.5	23.4	1.1	0.2	1.3	0.3	0.9	1.2
Non-metallic minerals	11.8	0.6	12.4	5.4	0.2	5.6	6.1	0.4	6.5	0.3	–	0.3
Chemicals and allied products	40.7	1.7	42.4	28.5	1.0	29.5	8.5	0.4	8.9	3.7	0.3	4.0
Miscellaneous manufactures	7.2	0.1	7.3	7.1	0.1	7.2	0.1	–	0.1	–	–	–
Sub-totals manufacturing	**292.6**	**37.3**	**329.9**	**247.7**	**28.1**	**275.8**	**38.1**	**6.1**	**44.2**	**6.8**	**3.1**	**9.9**
Petroleum and natural gas	83.3	7.9	91.2	78.6	4.8	83.4	–	1.2	1.2	4.7	1.9	6.6
Mining and smelting	107.8	33.1	140.9	107.7	17.1	124.8	–	5.4	5.4	0.1	10.6	10.7
Utilities	9.5	19.4	28.9	5.2	10.5	15.7	3.3	6.2	9.5	1.0	2.7	3.7
Merchandising	26.8	1.4	28.2	13.0	1.2	14.2	11.3	0.2	11.5	2.5	–	2.5
Financial institutions	15.6	20.0	35.6	8.6	6.8	15.4	3.8	11.0	14.8	3.2	2.2	5.4
Other enterprises	19.6	0.9	20.5	18.1	0.7	18.8	1.4	–	1.4	0.1	0.2	0.3
Sub-totals, non-manufacturing	**262.6**	**82.7**	**345.3**	**231.2**	**41.1**	**272.3**	**19.8**	**24.0**	**43.8**	**11.6**	**17.6**	**29.2**
Totals	**555.2**	**120.0**	**675.2**	**478.9**	**69.2**	**548.1**	**57.9**	**30.1**	**88.0**	**18.4**	**20.7**	**39.1**
1965												
Totals	**574**	**125**	**699**	**510**	**71**	**581**	**43**	**32**	**75**	**21**	**22**	**43**

[1] Includes profits of unincorporated branches of Canadian corporations.

The first four of the industrial groups referred to below, viz., manufacturing, mining and smelting, petroleum, and natural gas and finance, were ranked in the same order of importance in each of the three selected years, and were responsible for paying between 85 per cent to 89 per cent of all dividends to non-residents. To broaden the scope of comparison, reference is made here to the information on industry detail published in Tables 5.13 of "The Canadian Balance of International Payments: A Compendium of Statistics from 1946 to 1965" (Catalogue No. 67-505). Led by manufacturing,

which accounted for over one half of direct investment dividends in each of the three years, petroleum and natural gas and mining and smelting followed in order of importance. The mining and smelting group, however, ranked second in 1964. Merchandising ranked fourth as a dividend payer in 1962 and 1964, but finance was more important in 1960. The combined contribution of the four most important industries accounted for about 90 per cent of the dividends paid on direct investment in each of the three years. Dividend remittances by the manufacturing industry ranked first in importance, but represented from about a quarter to less than one third of all dividends returned on non-resident owned portfolio investment. Mining and smelting, finance and utilities followed in the order of importance in 1962 and 1964 as sources of dividends on portfolio investment; but in 1960, mining ranked fourth after finance and utilities. These four groups were responsible for paying over 90 per cent of all portfolio dividends in each of the three years.

The preponderant portion averaging well over 80 per cent of total dividend payments flowed to the United States in the four years from 1962 to 1965. In the same period about 12 per cent of the dividends was paid to investors in the United Kingdom; and investors in other countries received nearly 6 per cent.

STATEMENT 14. Distribution of Dividends Paid by Selected Industries, 1960, 1962 and 1964

Industry	1960	1962	1964
	per cent		
All dividends:			
Manufacturing	46.2	47.4	48.8
Mining and smelting	14.7	16.4	20.9
Petroleum and natural gas	13.5	15.3	13.5
Finance	11.2	8.7	5.3
Totals	**85.6**	**87.8**	**88.5**
Direct dividends:			
Manufacturing	53.2	53.8	52.7
Petroleum and natural gas	16.8	18.4	15.0
Mining and smelting	13.4	13.5	19.4
Merchandising	5.0	5.8	4.8
Finance	6.1	5.0	2.8
Totals	**94.5**	**96.5**	**94.7**
Portfolio dividends:			
Manufacturing	26.0	26.3	31.1
Mining and smelting	18.4	26.1	27.6
Finance	25.9	20.7	16.7
Utilities	23.9	19.8	16.2
Totals	**94.2**	**92.9**	**91.6**

Freight and Shipping

The net payments on freight and shipping services fluctuated between about $80 million and $90 million in the sixties, except in 1964, when the deficit dropped to $35 million. Freight and shipping receipts rose 32 per cent from $509 million in 1962 to $673 million in 1965. Payments increased over a quarter from $595 million in 1962 to $755 million in 1965. The deficit in the latter year of $82 million was $4 million below that of 1962. The lowering of the deficit to $35 million in 1964 resulted from a much more substantial rise in freight and shipping receipts that year, when merchandise exports gained $1,156 million or over 16 per cent, in comparison with a rise of $958 million, or 14.5 per cent in merchandise imports over 1963. Inland freight receipts on Canadian exports increased markedly, as did also ocean freight receipts and expenditures in Canada by foreign-operated vessels. The increases on the payment side for the corresponding items were smaller than in the case of the receipts.

STATEMENT 15. Detail of Freight and Shipping Transactions, Receipts and Payments, Between Canada and All Countries, 1960-65

Detail	1960	1961	1962	1963	1964	1965
	millions of dollars					
Receipts by Canada						
Ocean shipping:						
Gross earnings on exports	75	83	90	103	119	116
Charter operations	3	2	4	3	6	3
Shipping between foreign ports	25	28	31	33	37	50
Sub-totals	103	113	125	139	162	169
Expenditures in Canadian ports	55	67	72	74	80	90
Gross receipts on ocean shipping	158	180	197	213	242	259
Inland freight on exports	207	225	213	240	277	274
Intransit revenues	38	34	30	32	33	42
Other receipts	39	47	69	78	92	98
Gross receipts	**442**	**486**	**509**	**563**	**644**	**673**
Payments by Canada						
Ocean shipping:						
Expenditures abroad of Canadian operators, including charter payments	114	130	130	150	161	178
Freight on imports via Canadian ports	157	164	175	184	174	208
Gross shipping payments	271	294	305	334	335	386
Inland rail freight in U.S. on imports:						
Coal via vessel	35	37	39	51	52	58
Coal via rail	8	7	7	6	5	5
Other rail freight	110	98	96	97	98	102
Sub-totals	153	142	142	154	155	165
Miscellaneous payments	109	132	148	160	189	204
Gross payments	**533**	**568**	**595**	**648**	**679**	**755**
Balance on freight and shipping transactions	–91	–82	–86	–85	–35	–82

Inheritances and Migrants' Funds

From a peak of $82 million in 1960, the net payments of migrants' funds and inheritances declined to $51 million in 1962 and further to a position of balance in 1965. Immigration into Canada, which had averaged about 157,000 persons in the ten-year period 1951 to 1960 (within a range of 282,000 in 1957 and roughly 104,000 in 1960) fell to 71,700 persons in 1961. The arrivals in Canada for permanent settlement however picked up in 1962, and continued to increase steadily to a level of over 146,700 persons in 1965. Rising without interruption from $124 million in 1962, immigrants' funds and inheritances reached the highest recorded level so far of $211 million in 1965. Emigrants' funds and inheritances, stood at $175 million in 1962, rising by stages to to the highest level on record of $211 million in 1965.

Miscellaneous Transactions

Canada's deficit on other non-merchandise transactions increased from $408 million in 1962 to $475 million in 1964, before contracting slightly to $464 million in the following year. From a low point in this period of $36 million in 1962, official contributions rose to $92 million in 1965. Responsible for this growth were shipments of grain under the international food aid program, grants of goods and services under bilateral programs to assist emerging countries in the Commonwealth and the French-speaking African states and cash contributions under multilateral aid programs through international agencies. Except for the expansion to $41 million in 1962 and the contraction to $6 million in 1965, the deficit on other government expenditures approximated $30 million during this period. Higher defence payments were largely instrumental in expanding the deficit in 1962; and increased expenditures in Canada by foreign governments, including an extraordinary receipt on defence research sharing contributed to the contraction of the deficit in 1965.

Net payments of personal and institutional remittances tended to lessen in recent years as the increases in receipts were moderately higher than

those of payments. The deficits on miscellaneous investment income (other than those covered under Interest and Dividends) widened in 1962 to $65 million and to a higher level again of $90 million in the following year, with the gains in the receipts being outpaced by those in payments. Larger transfers of income from branch operations abroad of financial institutions and increasing interest earned on credits extended on export sales of Canada's grain and capital goods contributed to the rise in receipts. Higher interest payments on inter-company loans, mortgages and on rising short-term borrowings accounted for the expansion of payments of miscellaneous investment income.

STATEMENT 16. Detail of Freight and Shipping Transactions, by Area, 1963 - 65

Detail	All countries			United States			United Kingdom			Other countries		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965
	millions of dollars											
Ocean shipping												
Canadian operators:												
Receipts:												
Gross earnings on exports	103	119	116	30	31		38	48		35	40	..
Shipping between foreign ports, including charter operations	36	43	53	7	8		3	5		26	30	..
Sub-totals	139	162	169	37	39		41	53		61	70	..
Payments: Expenditure abroad of Canadian operators, including charter payments	150	161	178	22	19		43	45		85	97	..
Balance	– 11	1	– 9	15	20		– 2	8		–24	–27	..
Foreign operators:												
Receipts:												
Expenditures in Canadian ports	74	80	90	3	9		26	26		45	45	..
Payments:												
Freight on imports via Canadian ports	184	174	208	42	36		51	44		91	94	..
Balance	–110	–94	–118	– 39	– 27		–25	–18		–46	–49	..
Balance on ocean shipping	**–121**	**–93**	**–127**	**– 24**	**– 7**		**–27**	**–10**		**–70**	**–76**	..
Inland transportation												
Inland freight:												
Receipts:												
Rail	..	..	..	129	131		..	..		..	..	..
Other (truck, pipeline, vessel, etc.)	..	..	..	78	89		..	..		..	..	..
Sub-totals	318	369	372	207	220		38	51		73	98	..
Payments:												
Rail	154	155	165	154	155		..	..		..	..	..
Other (truck, pipeline, vessel, etc.)	160	189	204	160	189		..	..		..	..	..
Sub-totals	314	344	369	314	344		..	..		..	..	..
Balance on inland freight	4	25	3	–107	–124		38	51		73	98	..
Net rail intransit revenues	32	33	42	32	33		—	—		—	—	..
Balance on inland transportation	**– 36**	**58**	**– 45**	**– 75**	**– 91**		**38**	**51**		**73**	**98**	..
Balance on freight and shipping transactions	**– 85**	**–35**	**– 82**	**– 99**	**– 98**		**11**	**41**		**3**	**22**	..

The deficit on business services and related transactions widened about 30 per cent from $171 million in 1960 to $218 million in 1965. As described in *"About the figures* – Miscellaneous Current Transactions" on pages 30 and 31 in the report for 1961 and 1962, a broad range of items is covered under business and other services. Payments flow across international borders between branches, subsidiaries and affiliates and their home offices for production and distribution rights, royalties, research, advertising, management, engineering and consulting services. Payments are also made between persons and unincorporated and unaffiliated enterprises in Canada and abroad for franchises, copyrights, film rentals, professional services, etc. In the main these transactions accounted for the growth in the receipts for the whole group from $229 million in 1962 to $291 million in 1965 and in the payments from $430 million to $509 million during the same period. In addition both the expenditures in Canada of foreign airlines and of Canadian airlines abroad rose moderately each year.

Detailed information of payments reported by Canadian companies under the Corporations and Labour Unions Returns Act, classified by types of services and by industry groups, will be found in the Annual Reports published under that Act.

STATEMENT 17. Components of All Other Current Transactions, Receipts and Payments, by Area, 1960-65

	All countries						United States					
	1960	1961	1962	1963	1964	1965	1960	1961	1962	1963	1964	1965
	millions of dollars											
Receipts:												
Government transactions	131	124	126	144	151	176	105	96	98	110	113	122
Personal and institutional remittances	30	33	34	36	38	42	18	18	20	21	22	24
Miscellaneous income	83	87	95	84	111	131	74	77	71	51	57	65
Business services and other transactions	203	208	229	236	257	291	145	145	156	160	167	182
Totals	**447**	**452**	**484**	**500**	**557**	**640**	**342**	**336**	**345**	**342**	**359**	**393**
Payments:												
Official contributions	61	56	36	65	69	92	—	—	—	—	—	—
Government transactions, n.o.p.	161	155	167	172	181	182	38	36	40	45	46	52
Personal and institutional remittances	98	99	99	102	102	103	26	26	26	25	27	27
Miscellaneous income	135	142	160	174	201	218	93	101	114	122	132	145
Business services and other transactions	374	398	430	440	479	509	313	331	359	367	397	408
Totals	**829**	**850**	**892**	**953**	**1,032**	**1,104**	**470**	**494**	**539**	**559**	**602**	**632**
Net payments:												
Official contributions	– 61	– 56	– 36	– 65	– 69	– 92	—	—	—	—	—	—
Government transactions, n.o.p.	– 30	– 31	– 41	– 28	– 30	– 6	+ 67	+ 60	+ 58	+ 65	+ 67	+ 70
Personal and institutional remittances	– 68	– 66	– 65	– 66	– 64	– 61	– 8	– 8	– 6	– 4	– 5	– 3
Miscellaneous income	– 52	– 55	– 65	– 90	– 90	– 87	– 19	– 24	– 43	– 71	– 75	– 80
Business services and other transactions	–171	–190	–201	–204	–222	–218	–168	–186	–203	–207	–230	–226
Totals	**–382**	**–398**	**–408**	**–453**	**–475**	**–464**	**–128**	**–158**	**–194**	**–217**	**–243**	**–239**

	United Kingdom						Other countries					
	millions of dollars											
Receipts:												
Government transactions	15	15	14	18	23	23	11	13	14	16	15	31
Personal and institutional remittances	1	2	2	2	2	3	11	13	12	13	14	15
Miscellaneous income	5	4	12	19	33	37	4	6	12	14	21	29
Business services and other transactions	32	33	38	38	44	47	26	30	35	38	46	62
Totals	**53**	**54**	**66**	**77**	**102**	**110**	**52**	**62**	**73**	**81**	**96**	**137**
Payments:												
Official contributions	3	—	—	—	—	—	58	56	36	65	69	92
Government transactions, n.o.p.	35	34	33	29	42	32	88	85	94	98	93	98
Personal and institutional remittances	19	18	18	19	19	18	53	55	55	58	56	58
Miscellaneous income	11	11	11	17	17	13	31	30	35	35	52	60
Business services and other transactions	33	36	39	37	46	53	28	31	32	36	36	48
Totals	**101**	**99**	**101**	**102**	**124**	**116**	**258**	**257**	**252**	**292**	**306**	**356**
Net Payments:												
Official contributions	– 3	—	—	—	—	—	– 58	– 56	– 36	– 65	– 69	– 92
Government transactions, n.o.p.	–20	–19	–19	–11	–19	– 9	– 77	– 72	– 80	– 82	– 78	– 67
Personal and institutional remittances	–18	–16	–16	–17	–17	–15	– 42	– 42	– 43	– 45	– 42	– 43
Miscellaneous income	– 6	– 7	+ 1	+ 2	+16	+24	– 27	– 24	– 23	– 21	– 31	– 31
Business services and other transactions	– 1	– 3	– 1	+ 1	– 2	– 6	– 2	– 1	+ 3	+ 2	+ 10	+ 14
Totals	**–48**	**–45**	**–35**	**–25**	**–22**	**– 6**	**–206**	**–195**	**–179**	**–211**	**–210**	**–219**

About the figures –

COMPARISON OF PAYMENTS TO NON-RESIDENTS FOUND IN THIS REPORT WITH THOSE REPORTED UNDER THE CORPORATIONS AND LABOUR UNIONS RETURNS ACT

The Annual Reports under the Corporations and Labour Unions Returns Act include some 30 categories of payments in the field of income and services made to non-residents by reporting corporations. A comparison of the concepts employed in the two series will be found on pages 100 to 102 of the Report under the Corporations and Labour Unions Returns Act for 1962. In addition to payments by corporations covered in that report, balance of payments estimates of business services include commissions paid to non-resident agents (which are not among the services specified under the Act), international telephone and telegraph charges, expenditures abroad of Canadian airlines, payments of other non-reporting corporations, transfers of trade union funds, and a wide variety of non-corporate disbursements including franchises and the earnings of international migrant labourers and commuters.

Transactions by Areas

United States. – In the sixties, Canada's international transactions in goods and services conformed to the traditional pattern of a surplus with overseas countries in part offsetting the deficit with the United States. From a level of about $1,350 million in the two years 1960 and 1961, Canada's current deficit with the United States fell below $1,100 million in the following year, before resuming its expansion to a peak of $1,912 million in 1965. Total receipts from the United States rose more than 30 per cent from $5,219 million in 1962 to $6,806 million in 1965 while total payments expanded 38 per cent from $6,311 million to $8,718 million. The relative share of the deficit ascribable to merchandise trade ranged between 40 per cent in 1962 and over 49 per cent in 1960 and 1964, but this proportion rose sharply to over 54 per cent in 1965. Both merchandise exports and imports increased in excess of 60 per cent over this 5-year period. Merchandise exports advanced without interruption from $3,040 million in 1960 to $4,993 million in 1965, as did also merchandise imports from $3,713 million to $6,034 million. Forest products, metals and minerals dominated Canada's exports to the United States, accounting for about 70 per cent in 1961 and 1962, but this proportion contracted to approximately 66 per cent in 1964 and nearly 63 per cent in 1965. Manufactured goods expanded fairly steadily from about 13 per cent of total exports in 1961 to nearly 22 per cent in 1965.

In reaching $4,993 million in 1965, merchandise exports recorded a substantial gain of nearly $600 million or over 13 per cent over 1964. The largest increase of over $130 million in shipments of automotive products ensued from the signing in January 1965 of the agreement with the United States. Machinery exports expanded more than $60 million, and gains of about $40 million each occurred in shipments of cattle, meat and fish together, newsprint and aluminum. Exports of a variety of commodities increased less substantially; and these included whisky, nickel, zinc, crude petroleum, wood pulp, fertilizers and fabricated steel materials.

STATEMENT 18. Summary of Current Account Balances, by Area, 1960-65

Period	All countries	United States	United Kingdom	Rest of Sterling area	Other OECD Europe	Other countries
	millions of dollars					
1960	−1,233	−1,359	+169	+ 43	− 7	− 79
1961	− 928	−1,341	+195	+ 27	− 30	+221
1962	− 830	−1,092	+225	+ 17	− 82	+102
1963	− 521	−1,148	+417	− 31	− 92	+333
1964	− 424	−1,635	+605	+101	−107	+612
1965	−1,083	−1,912	+510	+135	−158	+342
1963 I	− 234	− 346	+ 82	+ 17	− 19	+ 32
II	− 204	− 342	+117	− 5	− 20	+ 46
III	+ 29	− 56	+ 98	− 13	− 27	+ 27
IV	− 112	− 404	+120	− 30	− 26	+228
1964 I	− 336	− 541	+ 87	+ 27	− 13	+104
II	− 150	− 507	+149	+ 10	− 36	+234
III	+ 208	− 119	+156	+ 23	− 31	+179
IV	− 146	− 468	+213	+ 41	− 27	+ 95
1965 I	− 395	− 589	+106	+ 55	− 4	+ 37
II	− 360	− 530	+141	+ 47	− 75	+ 57
III	+ 36	− 170	+134	+ 19	− 46	+ 99
IV	− 364	− 623	+129	+ 14	− 33	+149

The growth in Canada's imports from the United States has been distributed over a wide range of commodities, but machinery and automotive products have been in particular notable. Machinery, accounting for about 20 per cent of the total imports from the United States in recent years, was valued at roughly $1,175 million in 1965. Imports of automotive products, which exceeded $700 million in 1964, represented 14 per cent of total imports in that year; and following an increase to over $1,000 million in 1965, the proportion rose to nearly 17 per cent. The increases in the value of machinery and automotive products represented more than one half of the $830 million expansion in the imports from the United States from $5,204 million in 1964 to $6,034 million in 1965. Imports of equipment and tools, including controlling instruments, laboratory equipment and electronic computers, rose more than $75 million, and imports of aircraft and parts more than $55 million and of coal about $40 million. Chemicals rose well over $30 million as also did each of fabricated steel and non-ferrous materials. Less substantial gains occurred in imports of fresh fruits and vegetables, magazines and books, photographic material and some consumer goods. On the other hand, imports from the United States of meat, soya beans, cotton and woven fabrics were lower in 1965, as compared with 1964.

In non-merchandise transactions with the United States, the deficit reached its first recent peak of $726 million in 1961, before falling 9 per cent to a level of about $660 million in the following two years. This deficit again climbed 25 per cent in 1964 to $827 million and widened to the highest level so far recorded of $871 million in 1965. The non-merchandise transactions accounted for about 60 per cent of Canada's total deficit with the United States in 1962, but the proportion narrowed in successive years to under 46 per cent in 1965. The contraction in the non-merchandise deficit to $654 million in 1962 was largely ascribable to the reappearance of a surplus in the travel account, the first since 1951. The contraction of travel expenditures by Canadians in the United States in 1962 and 1963, following the introduction of stabilization measures, has been described earlier. The resulting travel surplus of $161 million in 1963, the highest on record in the postwar period, provided a 24 per cent offset to the deficit arising from other "invisible" items. The travel offsets narrowed to 13 per cent and nearly 15 per cent in 1964 and 1965, respectively.

The value of gold production available for export reduced the non-merchandise deficit in 1963 by more than 23 per cent, and by some 17 per cent and nearly 16 per cent in the following two years. As indicated by figures shown in Table 5.03 on page 159 of "The Canadian Balance of International Payments: A Compendium of Statistics from 1946 to 1965", transactions in interest and dividends have contributed at least 80 per cent of Canada's non-merchandise deficit with the United States since 1962. In this period, between about 12 and 15 per cent of the deficit originated from freight and shipping transactions, between approximately 8 and 13 per cent from inheritances and migrants' funds and 27 and 33 per cent from other current service transactions.

More than the entire increase of $44 million in the non-merchandise deficit with the United States to $871 million in 1965 arose from interest and dividends, with freight and shipping and the reduced value of gold production available for export contributing smaller additions to the deficit. The expansion of $55 million in the net payments of interest and dividends to $715 million in 1965 arose from an increase of $69 million in the payments (distributed $36 million to interest and $33 million to dividends), offset in part by a gain of $14 million in the receipts. Both the receipts and payments of interest and dividends stood in 1965 at the highest level so far recorded of $204 million and $919 million, respectively. As a result of larger increases in the receipts than in payments in 1965, the balances on account of travel, migrants' funds and miscellaneous groups of transactions improved by $20 million, $11 million and $4 million, respectively.

United Kingdom. – Canada's traditional surplus with the United Kingdom on transactions in current goods and services expanded from $169 million in 1960 to $417 million in 1963 and then to $605 million in 1964, before dipping down to $510 million in 1965. Total receipts increased $389 million or one-third from $1,166 million in 1962 to $1,555 million in 1965. Total payments rose more moderately from $941 million in 1962 to $1,045 million, up $104 million or 11 per cent. The improvement in the balances up to 1964 resulted from increases in the export balance combined with contractions in the non-merchandise deficit. In 1965, on the other hand, the merchandise surplus narrowed and the "invisible" deficit widened moderately.

The proportion of total receipts represented by merchandise exports fell from 79 per cent in 1962 to 76 per cent in 1965, reflecting a larger increase in non-merchandise receipts than in the moderate gain in commodity exports from $924 million in 1962 to $1,219 million in 1964, before subsiding to $1,184 million. Farm products together with comparatively small amounts of fish products accounted for some 30 per cent of total exports in 1962 and 1963 but declined to below 27 per cent in 1965, primarily due to smaller wheat shipments. The relative shares of forest products stood at about 19 and 20 per cent, while the proportion of the most important commodity group, metal and mineral materials, rose from 37 per cent in 1962 to nearly 41 per cent in 1965. Other manufactured goods accounted for over 7 per cent of total exports in 1962 and some 8 per cent in 1965.

Over one half of the $35 million contraction in merchandise exports to $1,184 million in 1965 was attributable to the decline in the value of wheat clearances to the United Kingdom. Exports of newsprint and fabricated steel materials were each down about $15 million from 1964. Shipments of nickel and alloys were about $16 million lower in 1965,

those of dairy produce $12 million and those of iron ores and fish products were each about $4 to $5 million smaller. An increase totalling over $30 million occurred in exports of non-ferrous metals such as nickel, precious metals, copper, lead and zinc.

The annual totals of merchandise imports from the United Kingdom have not changed very much in the sixties, except for a fall to $521 million in 1963 from the average level of $585 million for 1961, 1962 and 1964. The 1965 total of $624 million was not much higher than the $611 million in 1960. Canadian imports from the United Kingdom cover a wide range of commodities, with minor concentrations in fabric, steel and non-ferrous materials, machinery, transportation equipment (including motor vehicles and parts and aircraft engines and parts), other equipment, tools and consumer goods. Motor vehicles constituted the single most important group of commodities contributing to the import decline in 1963. A large part of this reduction was, however, recovered in the following year. Fabricated steel materials, machinery, aircraft, aircraft engines and parts, and electrical and laboratory equipment were featured in the $40 million rise in imports to $624 million in 1965.

The deficit on non-merchandise transactions which stood at $144 million in 1960 contracted rather sharply in the subsequent years to a low level of $30 million in 1964, before turning up to $50 million in 1965. Contributing significantly to this favourable development were increased net receipts from freight and shipping services and inheritances and migrants' funds, together with declining net payments for miscellaneous current transactions. The unusually low deficit of $30 million in 1964 on non-merchandise transactions originated from extraordinary receipts of dividends on direct investment in the last quarter of the year, sufficiently large to counterbalance the postponement by the United Kingdom authorities of payment of interest on the 1946 loan. On account of the special receipts, the deficit arising from interest and dividend transactions was estimated at $24 million in 1964, as compared with $51 million in 1963 and 1965, respectively. Travel deficits stood at $47 million and $55 million in 1964 and 1965, respectively, in comparison with the average of $49 million in the sixties. The widening in the travel deficit resulted from a rise in expenditures by Canadians in the United Kingdom from $80 million to $89 million in 1965, while receipts increased by $1 million to $34 million. The surplus on freight and shipping transactions was unchanged in the 2 years at $41 million, and the net receipts from migrants' funds and inheritances narrowed $1 million to $21 million. The deficit from other miscellaneous current transactions declined from $22 million in 1964 to $6 million in 1965, owing largely to the non-recurrence of the payment in early 1964 of Canada's share of the costs of defence operation in Korea.

STATEMENT 19. Summary of Canada's Current Transactions, by Area, 1960-65

Year	Merchandise			Non-merchandise			Total		
	Exports	Imports	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
	millions of dollars								
	All countries								
1960	5,392	5,540	− 148	1,744	2,829	−1,085	7,136	8,369	−1,233
1961	5,889	5,716	+ 173	1,899	3,000	−1,101	7,788	8,716	− 928
1962	6,387	6,203	+ 184	2,036	3,050	−1,014	8,423	9,253	− 830
1963	7,082	6,579	+ 503	2,207	3,231	−1,024	9,289	9,810	− 522
1964	8,238	7,537	+ 701	2,509	3,634	−1,125	10,747	11,171	− 424
1965	8,745	8,627	+ 118	2,719	3,920	−1,201	11,464	12,547	−1,083
	United States								
1960	3,040	3,713	− 673	1,247	1,933	− 686	4,287	5,646	−1,359
1961	3,213	3,828	− 615	1,326	2,052	− 726	4,539	5,880	−1,341
1962	3,767	4,205	− 438	1,452	2,106	− 654	5,219	6,311	−1,092
1963	3,970	4,458	− 488	1,544	2,204	− 660	5,514	6,662	−1,148
1964	4,396	5,204	− 808	1,662	2,489	− 827	6,058	7,693	−1,635
1965	4,993	6,034	−1,041	1,813	2,684	− 871	6,806	8,718	−1,912
	United Kingdom								
1960	924	611	+ 313	224	368	− 144	1,148	979	+ 169
1961	924	593	+ 331	237	373	− 136	1,161	966	+ 195
1962	924	578	+ 346	242	363	− 121	1,166	941	+ 225
1963	1,017	521	+ 496	284	363	− 79	1,301	884	+ 417
1964	1,219	584	+ 635	391	421	− 30	1,610	1,005	+ 605
1965	1,184	624	+ 560	371	421	− 50	1,555	1,045	+ 510

STATEMENT 19. Summary of Canada's Transactions, by Area, 1960-65 – Concluded

Year	Merchandise			Non-merchandise			Total		
	Exports	Imports	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
	millions of dollars								
	Other sterling area								
1960	340	284	+ 56	71	84	– 13	411	368	+ 43
1961	331	298	+ 33	93	99	– 6	424	397	+ 27
1962	338	326	+ 12	87	82	+ 5	425	408	+ 17
1963	409	418	– 9	91	113	– 22	500	531	– 31
1964	515	417	+ 98	123	120	+ 3	638	537	+101
1965	531	385	+146	135	146	– 11	666	531	+135
	Other OECD Europe								
1960	591	371	+220	129	356	–227	720	727	– 7
1961	618	416	+202	144	376	–232	762	792	– 30
1962	622	454	+168	148	398	–250	770	852	– 82
1963	662	474	+188	158	438	–280	820	912	– 92
1964	749	558	+191	170	468	–298	919	1,026	–107
1965	840	707	+133	216	507	–291	1,056	1,214	–158
	Other countries								
1960	497	561	– 64	73	88	– 15	570	649	– 79
1961	803	581	+222	99	100	– 1	902	681	+221
1962	736	640	+ 96	107	101	+ 6	843	741	+102
1963	1,024	708	+316	130	113	+ 17	1,154	821	+333
1964	1,359	774	+585	163	136	+ 27	1,522	910	+612
1965	1,197	877	+320	184	162	+ 22	1,381	1,039	+342

Rest of the sterling area. – In current transactions with the rest of the sterling area, Canada's annual surpluses, which decreased from $43 million in 1960 to $17 million in 1962, turned into a deficit of $31 million in 1963. After changing into a surplus again in the following year of $101 million, largest since 1952, the positive balance continued to expand to $135 million in 1965. Total current account receipts from this area rose from $425 million in 1962 to $666 million in 1965, up $241 million or 57 per cent. Total payments for goods and services increased $123 million or 30 per cent from $408 million to $531 million in 1965. Deteriorating trade balances combined with increasing official contributions adversely influenced the current account balances up to 1963, while a substantial improvement in the merchandise trade balance thereafter primarily contributed to the re-appearance of large current account surpluses. The improvement in the merchandise surplus occurred as a result of the exports rising from $409 million in 1963 to $531 million in 1965, while the imports declined from $418 million to $385 million in the 2 years. More than 40 per cent of the $106 million rise in exports in 1964 was concentrated in Canadian exports to Australia. Shipments of aircraft, engines and parts increased about $15 million, that of newsprint $8 million and of plastics about $4 million. Smaller gains covered a variety of other commodities. An increase of $10 million in exports to India in 1964 comprised fairly large shipments of wheat, locomotives and aircraft, offset in part by reduced exports of copper and railway rails. A gain in exports of over $10 million in motor vehicles and parts, together with smaller increases in newsprint and aluminum, which was offset by reduced wheat shipments, produced an overall export advance of $9 million to the Republic of South Africa. More moderate increases in exports in 1965 to the Republic of South Africa, Kenya, Zambia, Trinidad, Jamaica and New Zealand, offset by reduced shipments to Australia, Ghana, Ceylon, Hong Kong and India produced a $16 million rise in exports to $531 million. Sugar was the principal cause of the fall of $32 million in imports from the rest of sterling area in 1965. Reductions in sugar imports were distributed as follows in millions of dollars: Mauritius ($6½), Australia ($9½), Fiji ($2½), British Guiana ($11½), Jamaica ($10) and Trinidad ($4). There were offsetting increases in imports from countries such as India, Hong Kong and Malaysia.

Canada's recent overall balances on non-merchandise transactions (including official contributions) with the rest of the sterling area have been small, with surpluses in 1962 and 1964 and deficits in the other years. As on the average at least 80 per cent of the foreign economic aid from Canada has been directed to Commonwealth countries, official contributions to this area have grown with the development of the bilateral and international food aid programs. These official contributions were cut back

from $49 million in 1961 to $29 million in 1962, but have subsequently grown to $73 million in 1965. Higher receipts of dividends on direct investment contributed to enlarging the surplus on interest and dividends from $25 million in 1963 to $40 million in 1964. Larger gains in freight and shipping receipts than in payments in the most recent years have widened the surplus, and the increased number of immigrants with higher per capita funds raised the surplus on inheritances and migrants' funds in 1965 significantly.

Other OECD countries in Europe. – Canada's current account balance with the other OECD countries in Europe, which was regularly in a surplus position until 1958, changed into a substantial deficit exceeding $100 million in 1959. The deficit contracted to $7 million in 1960 but has been growing since, and was estimated at $158 million in 1965. Total receipts gained $286 million or 37 per cent from $770 million in 1962 to $1,056 million in 1965. Total payments increased from $852 million to $1,214 million over the same three years, up $362 million or over 42 per cent. Generally declining merchandise surpluses combined with a widening deficit on non-merchandise transactions have brought about the deterioration in the current account position.

From an average level of $620 million in 1961 and 1962, merchandise exports to the other OECD countries in Europe rose nearly 7 per cent to $662 million in 1963. Relative increases of about twice the magnitude occurred in each of the following two years to $749 million in 1964 and $840 million in 1965. Canadian exports to West Germany expanded about $40 million in 1964, followed by increases of $24 million to Belgium-Luxembourg, of $16 million to France, of over $14 million to the Netherlands and of $9 million to Sweden. Exports to Italy however declined more than $14 million. Non-ferrous metallic materials accounted for well over 40 per cent of the increase in the exports to West Germany, and wood pulp shipments were also slightly higher. Zinc, primarily ores and concentrates, represented nearly $15 million of the 1964 gain in the exports to Belgium-Luxembourg. Exports of lead and dairy products were moderately higher, while shipments of wheat were down in excess of $10 million. There were minor increases as well as decreases involving other commodities. Fairly small individual changes were recorded in commodity exports to France. Increases covered copper, asbestos, and wood products, while shipments of wheat and plastics were lower. Dairy products, flax and other seeds, lumber products and zinc were among the commodities whose exports increased to the Netherlands in 1964, while shipments of oats, iron ores and communication and navigation equipment were lower. Exports of copper, motor vehicles and parts and gasoline to Sweden were higher, but the shipments of aluminum declined in 1964. Among exports to Italy, there were decreases in wheat and other agricultural products, aluminum, and fabricated steel materials, offset in part by increases in dairy products, barley and instruments.

The net increase of $91 million from $749 million in 1964 to $840 million in 1965 in the exports to other OECD countries in Europe was comprised principally of a gain of more than $30 million to Italy, of about $25 million each to Belgium-Luxembourg and the Netherlands and of between $10 million to $15 million each to Norway and Spain. From a high level in 1964, Canadian exports to West Germany receded more than $20 million. The increase in 1965 in the shipments to Italy of wheat, barley and rapeseed amounted to nearly $20 million. Exports of iron ores rose about $6 million as did also those of non-ferrous metals. A smaller increase was recorded in wood products, and moderate decreases occurred in exports of dairy products, asbestos and fabricated steel materials. The increase to the Netherlands in 1965 in the shipments of wheat, oil seeds and products of animal origin exceeded $10 million, but there were partially offsetting declines in the exports of dairy products and rye. Lumber, pulp, fabricated steel and non-ferrous metal materials and navigation instruments increased moderately as well; but aircraft exports were down slightly.

Principal export gains to Belgium-Luxembourg covered a number of commodities including wheat (about $10 million), metal materials (notably zinc) and automobiles. Exports of dairy products, lumber and aircraft however declined. A $15 million rise in exports to Norway in 1965 was attributable in the main to nickel ores and copper. Larger shipments of metal materials, including steel billets, communication equipment and cattle, offset in part by lower exports of rapeseed, accounted for a net gain of over $12 million in the exports to Spain in 1965. Canadian exports increased modestly to Austria, Denmark, Greece and Turkey, and declined slightly to Portugal, Sweden and Switzerland.

Following a rise of more than 4 per cent between 1962 and 1963, Canada's imports from other OECD countries advanced nearly 18 per cent to $558 million in 1964 and again by more than 26 per cent to $707 million in 1965. From among a large number of commodities which contributed to an increase of $26 million in Canadian imports from Germany in 1964, the more prominent groups included chemicals, steel materials, motor vehicles, machinery (amounting to nearly $12 million), fabrics and belting. About three fourths of a $9 million rise in imports from Belgium-Luxembourg in 1964 was attributable to fabricated steel materials and the remainder to diamonds and glass. A $10 million increase in the imports from France was distributed over a wide variety of commodities, including wines, steel materials, motor vehicles and parts. Fabrics, steel bars, machinery

and wines accounted for a major portion of an increase of $12 million in the imports from Italy. There were small increases in imports from many other European member countries of the OECD.

France accounted for about 18 per cent of the $149 million increase in Canadian imports from this area in 1965. Among a host of individual commodity changes, increases were recorded in the imports of steel materials, motor vehicles and parts, computers, printed matter and wines.

More than four fifths of an increase of $39 million in Canadian imports from Germany in 1965 included steel products, machinery, motor vehicles and parts, chemicals, sound equipment and parts, sewing machine parts and bearings. Small decreases of about $1 to $2 million occurred in the imports of rubber belting, wheel tractors and conveyors. Higher imports of steel materials accounted for about one half of the rise of over $16 million in imports from the Netherlands. Imports of ships and sound equipment and parts were also higher in 1965. A rise of nearly $17 million in imports from Sweden was dispersed over a large number of commodities, including steel materials, bearings, pulp mill machinery, automobiles, transformers and other electrical equipment, furs and leather. Most of the increase of nearly $13 million in imports from Belgium-Luxembourg was accounted for by steel bars, plates and structural shapes. Imports of electric motors and transformers were up slightly but those of reaper-threshers and glass declined in 1965. Increases in machinery, steel materials and motor vehicles contributed more prominently than many other commodities to a rise of nearly $13 million in Canadian imports from Italy in 1965. Small increases in imports occurred from Switzerland, Denmark, Norway, Portugal and Spain.

In recent years, the receipts from non-merchandise transactions have increased less rapidly – rising from $148 million in 1962 to $216 million in 1965 – than the payments, which expanded over 25 per cent from $398 million in 1962 to $507 million in 1965. The deficit on the "invisibles" accordingly widened from $250 million in 1962 to $291 million in 1965, but down slightly from $298 million in the preceding year. Between 1962 and 1965, the deficit on travel, interest and dividends and freight and shipping rose at uneven rates. Canada's travel imbalance with other OECD Europe, widened $18 million from $70 million in 1963 to $88 million in 1964, as the expenditures by Canadians travelling to Europe rose from $86 million to $105 million, while the receipts were almost stable.

In 1965, travel receipts advanced $10 million to $27 million, because of a large gain in the number of visitors to Canada, which probably was induced by reduced airline fares. Following the substantial rise in 1964 in the travel payments abroad by Canadians there was a rise of $1 million in 1965. The net receipts of migrants' funds and inheritances more than doubled from $10 million in 1964 to $21 million in 1965, accompanying an increase in this year of more than 25 per cent in the arrival of immigrants from other OECD countries in Europe. The deficit arising from other current service transactions has remained relatively unchanged at a level slightly in excess of $100 million. A reduction in 1965 in the net payments on government account due to receipts from research cost sharing was counterbalanced by a deterioration in the balances of miscellaneous income and business services.

All other countries. – Canada's current transactions with all other countries in the sixties have recorded not only large surpluses (e.g. $612 million in 1964) but have exhibited sharp annual changes – in the range of $270 million to $300 million in three of the five recent years ending in 1965. Total receipts advanced about 64 per cent from $843 million in 1962 to $1,381 million in 1965, while total payments rose roughly 35 per cent from $741 million to $1,039 million. Wheat shipments to Mainland China, the U.S.S.R. and other communist countries have played an important part in these transactions and have been facilitated in some cases by special financing arrangements. The accompanying statement shows that their value in the 5-year period totalled $1,630 million. If their value is taken out for the comparison, the current balances with all other countries do not exceed $100 million in either direction during the period. The largest over-the-year change taking place between 1964 and 1965 is also reduced to under $180 million. In non-merchandise transactions, Canada's economic aid to this group of countries increased from $7 million in 1962 to $18 million in 1965, while the surplus from services rose from $13 million to $40 million. In consequence of these offsetting changes, the net receipts for all non-merchandise transactions widened moderately from $6 million in 1962 to $22 million in 1965.

Exclusive of the substantial amounts of wheat shipments to the Sino-Soviet countries, merchandise exports recorded relative annual increases between 1962 and 1964 of 25 per cent and 20 per cent successively, which were followed by a decline of about 8 per cent in 1965. Increased shipments of Canadian commodities to Japan, Mexico and several other Latin American republics mainly accounted for the rise in 1963. Cuba, Venezuela, Mexico, Japan, and the Philippines were the principal destinations of the increases in the exports in 1964. Shipments from Canada in 1965 declined to Japan, Mexico, Cuba and a number of other countries, but rose to Peru and Venezuela.

About a $30 million expansion in Canadian exports to Japan in 1964 was derived from larger shipments of wheat, barley, non-ferrous metals, asbestos, coal, pulp, newsprint and many other commodities,

offset in part by smaller exports of oil seeds, iron ores and lumber. The decline of exports in the following year of roughly $15 million was primarily due to lower wheat shipments, but there were less substantial reductions covering iron ores and scrap, non-ferrous metals, lumber, and newsprint. These losses were partially offset by increased shipments of barley, rye, oil seeds, pulp and chemicals. Wheat, communication equipment and electrical supplies contributed to a modest rise in exports to the Philippines in 1964. Wheat and wheat flour (covered under the Russian contract) constituted more than half of the increase of some $45 million in the exports to Cuba. Other gains occurred in dairy products, fertilizers and medical supplies. Wheat and flour shipments increased again in 1965, but only moderately, while the exports of many other commodities, notably fertilizers, declined, contributing to a net overall reduction of exports to Cuba in 1965. An increase in the exports of railway rail and track material amounting to $12 million accounted for more than the net increase in the Canadian exports to Mexico in 1964. There were smaller increases in shipments of machinery and equipment, which were exceeded by reductions in the exports of commodities such as aluminum and newsprint. A decline in shipments in 1965 of rails, track material and locomotives amounted together to about $19 million. Smaller decreases in machinery and equipment were offset by rises in shipments of newsprint and several other commodities. Wheat, dairy products, steel materials, motor vehicles and parts were featured prominently among increased commodity exports to Venezuela, totalling nearly $20 million, in 1964. Larger exports of motor vehicles and parts, dairy products and newsprint, counterbalanced in part by lower wheat shipments, steel materials and plastics, resulted in a small overall increase in exports to Venezuela in 1965. An increase of about $7 million in shipments of motor vehicles and parts and a much smaller rise in railway rolling stock accounted for well over two thirds of the $11 million expansion in the Canadian exports to Peru in 1965.

Merchandise imports from all other countries increased annually 11, 9 and 13 per cent from $640 million in 1962 to $877 million in 1965. Imports of crude petroleum from the Middle East and from Venezuela and of raw sugar from Cuba figured prominently in the import expansion in 1963. In the following year a substantial decline of about $36 million in petroleum imports from the Middle East (principally Saudi Arabia) was offset 75 per cent from a continued rise in imports from Venezuela. Sugar imports from Cuba dropped more than $11 million to almost nil in 1964. Imports from Japan rose more than $40 million. As is frequently the practice of international oil companies, substantial imports of crude petroleum in 1965 were switched from Venezuela (i.e. down $34 million) to Saudi Arabia, but imports of fuel oil from Venezuela rose nearly $20 million. Fuel oil imports also increased from the Netherlands Antilles, but much less substantially. Raw cotton imports from the U.S.S.R. increased $6 million. There were small rises in imports from other eastern European countries, Mainland China and several Latin American countries, but the largest individual gain in 1965 of some $55 million was recorded in the imports from Japan. From among a wide variety of industrial and consumer goods which contributed to the increased Canadian imports from Japan in 1964 and 1965, yarn, fabrics and clothing taken together, fabricated steel materials, plywood, motor vehicles and parts (particularly in 1965), tape recorders, radio and TV, and cameras were more prominent.

Among the items producing small positive balances since 1962 in Canada's non-merchandise transactions with all other countries, the more substantial surpluses have originated from freight and shipping services and much smaller ones from the interest and dividend account and migrants' funds and inheritances. The deficits arising from miscellaneous current transactions and the official contributions have provided partial offsets.

STATEMENT 20. Shipments of Wheat to Sino-Soviet Countries, 1961-65[1]

Area	1961	1962	1963	1964	1965	Total
	millions of dollars					
Mainland China	94	145	97	118	104	558
U.S.S.R. and Cuba	13	—	182	255	235	685
Poland	33	30	14	50	21	148
Czechoslovakia	21	—	13	48	29	111
Other eastern European countries	23	2	19	47	37	128
Totals	**184**	**177**	**325**	**518**	**426**	**1,630**

[1] Based on Board of Grain Commissioners' statistics.

CAPITAL MOVEMENTS

Background and Summary

The annual outline of Canada's balance of international payments between 1959, the year of peak imbalance on current account, and 1965 is provided in Statement 21.

Statistics of the balance of payments can only be properly interpreted and balance of payments developments can only be properly evaluated against the changing domestic and external environments which they link. Within the scope of this publication it is possible only to point to a selection of the factors needed for appraisal. Some of the influences such as variations in the levels of economic activity in North America and elsewhere have already been noted, as has been the recurring demand in recent years for Canadian wheat from the Sino-Soviet countries.

It will be recalled that the years covered by this report were marked by considerable economic progress in Canada and in its principal world markets, and by the end of the period, with the further economic expansion achieved by the United States and Canada, for the first time in the post-war period virtually all the industrialised countries of the world simultaneously enjoyed high levels of employment.[1]

The momentum which carried the Gross National Product in Canada to successive new high levels from 1961 was accompanied by and associated with the investment boom in North America and elsewhere. In the three years 1963, 1964 and 1965 business gross fixed capital formation in Canada rose successively to $7.6 billion, $9.1 billion and $10.4 billion, or some 50 per cent above the 1962 level. At the same time capital formation by governments in Canada rose 35 per cent above the 1962 level to $2.4 billion in 1965. Overall the increase from 1962 to 1965 totalled 47 per cent.

While the savings which finance capital formation are generated in a variety of places within the economy, a program of this magnitude inevitably led to heavy demands on both domestic and foreign capital markets to satisfy the enlarged financial requirements of provinces and municipalities as well as of business. The absorption of capital overseas associated with the high levels of activity which prevailed in most of the industrialised economies, contributed to further pressures in the United States, the principal source of international capital, at a time when that country was itself subject to capital restraints. The competition for investment funds drove interest rates to high levels as the various markets tried to maintain spreads sufficiently wide to attract capital. Both the international structures and the stages of development of capital markets in various parts of the world were a factor in the substantial enlargement of the Eurodollar and other international money markets which had emerged in the fifties and in which Canadian banks played a prominent role. As a result the degree of international financial interdependence was greatly increased.

The United States balance of payments position proved less tractable than many had expected, and the United States authorities made vigorous efforts to achieve a greater measure of balance in their international transactions. This is not the place to describe in any great detail the special financial relationships existing between Canada and the United States, but it is necessary within this short review to indicate some of the principal developments in these efforts which were of special relevance to Canada.

There were other influences working on capital movements between Canada and other countries in these years. Severe balance of payments strains in the United Kingdom had at times effects on capital as well as current account transactions, as monetary and exchange restrictions were brought to bear on their problems by the authorities in that country, and as the international financial community responded in a series of rescue operations.

[1] "International Monetary Fund", 1966 Annual Report, p. 3.

STATEMENT 21. Summary of the Canadian Balance of International Payments, 1959-65

Item	1959	1960	1961	1962	1963	1964	1965
	millions of dollars						
Capital movements in long-term forms	1,179	929	930	688	637	820	713
Capital movements in short-term forms[1]	297	265	288	297	30	– 33	527
Balance on goods and services	–1,487	–1,233	–928	–830	–521	–424	–1,083
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	– 11	– 39	290	155	146	363	157

[1] Excluding items in final line.

In Canada government policies affected in a number of ways the character of international capital flows. Among these were tax changes having balance of payments implications which were proposed in the budget of 1963, and the extension of programs for the financing and insurance of export credits which led to sizable outflows. In Canada, too, rapid development of the short-term money markets continued, with the emergence of some new techniques and instruments. Non-residents provided important amounts of capital to this market, which experienced severe strains and underwent considerable change following the default of a major Canadian finance company and associated concerns in 1965.

The net inflow of capital in long-term forms, which had reached a peak of $1,490 million in 1956, continued at levels upward of $900 million, or several hundreds of millions of dollars higher than earlier, during each of the succeeding five years. These inflows then continued at somewhat lower levels, ranging between $637 million and $820 million, from 1962 to 1965.

An extended period of substantial inflows was interrupted in 1962 when Canada experienced a brief but severe exchange crisis generated by a variety of convergent influences. Flows of capital in long-term forms were in balance in the first half of 1962 but were again succeeded by a period of substantial net inflows. Developments during this period were described in considerable detail in the previous volume of this series. In the following four quarters, inflows in long-term forms totalled $1,273 million, and if allowance is made for new security issues sold but not delivered the figure rises to $1,448 million. Some special factors contributed. The Government of Canada had re-entered the United States capital market in 1962 for the first time in more than a decade, leading the way for the resumption of new issues there by other large Canadian borrowers. Substantial inflows occurred for the purchase by non-residents of major Canadian concerns. The extension of provincial utility enterprises gave rise to large demands for funds which were obtained in the United States market.

In 1963, in contrast to 1962 when the capital inflows in long-term forms occurred entirely in the second half of the year following the action taken to restore balance in Canada's external finances, the inflows were confined largely to the first half of the year in which $585 million of the total inflow of $637 million was received. Broadly speaking it may be said that 1962 was divided by the exchange crisis which occurred in June, while the year 1963 found a dividing point in the announcement of tax measures in Canada and in the United States. But these watersheds represent an oversimplication which may conceal or obscure both the interaction of developing situations and the lags between decisions and flows which were of some real significance in these years.

By the end of the first quarter of 1963 the spate of new issues abroad abated sharply, although deliveries continued to be substantial during the second quarter. Late in June the Canadian budget introduced a number of measures designed to influence the balance of payments, including a measure to remove from certain non-resident purchasers of Canadian securities the burden of Canadian withholding tax. The immediate effect of this measure was largely nullified when a Presidential Message was delivered to the United States Congress in July proposing the introduction of an Interest Equalization Tax on purchases of foreign securities. The Canadian balance of payments reacted swiftly. Within twenty-four hours there was a greater loss of official holdings of gold and foreign exchange than in any similar period, even during the difficult days of the spring of 1962. The situation was soon eased by the proposal to exempt new Canadian issues, but uncertainties relating to the tax effectively deterred the sale of new Canadian issues in the United States market and as deliveries of earlier sales dwindled, the bite of the tax proposal became increasingly apparent in the figures.

These policy measures no doubt also contributed to the swings in movements of capital in short-term forms, as did the announcement in mid-September of major wheat export contracts. The impact of the latter transactions themselves and of their contribution to the general economic outlook was clearly diffused through a number of the short-term capital items.

Direct investment inflows tended to decline in 1963 with the phasing out of some very large investment projects financed by this type of movement and reductions in inflows for the acquisition of existing Canadian concerns.

The situation changed rapidly after mid-1964. Passage through the United States Congress of the legislation providing for the Interest Equalization Tax and the establishment of the anticipated exemption for Canadian new issues released the way for an accumulation of new issues. Capital inflows in long-term forms in the last half of the year rose to $684 million, bringing the total for the year to $820 million, compared with $637 million in 1963. In keeping with the spirit of the Canadian undertaking to the United States that it was not its intention to increase its foreign exchange reserves through the proceeds of borrowing in the United States, the Minister of Finance in December 1964 appealed to the provincial authorities to avoid as far as possible adding to the volume of new Canadian issues in the United States at that time. Short-term capital flowed from Canada, and through Canada from the United States, to the Eurodollar market, and there were substantial inflows to the Canadian money market and on open account.

In 1965 demands for real resources found a counterpart in financial pressures, and although capital inflows in long-term forms were somewhat lower than in 1964, there were extraordinarily large inflows of capital in short-term forms. The pressures deriving from the underlying economic situation were augmented by exogenous events.

The first quarter of 1965 was affected by the introduction by United States authorities of additional measures to restore balance in their international financial position. The program of guidelines introduced by the United States authorities in February 1965 aimed at voluntary action to reduce outflows of United States capital and to repatriate excess liquid holdings abroad. These guidelines contained some specific provisions for Canada in keeping with the circumstances which had been recognized in the exemption granted new Canadian issues from the interest equalization tax. Nevertheless the guidelines led to some difficulties in the Canadian market for short-term securities which did not benefit from the special provisions applicable to long-term investment. They also had marked effects on foreign currency banking operations of the Canadian chartered banks. Canadian banks were requested by the Canadian Government to conduct their foreign currency operations in a way that would reinforce and not prejudice the effects of the United States program. During the second quarter of 1965 investor confidence experienced a sharp shock with the default of a Canadian finance company and the subsequent revelation of widespread involvement of other companies. These external and domestic factors created problems of considerable delicacy for the monetary authorities.

Canada's net payments on current account with the United States were higher in 1965 than in 1964, but the enactment of the Interest Equalization Tax legislation during the summer of 1964 and the special arrangements which became effective with respect to Canada had removed a barrier to Canadian new issues and as a result the net receipt of capital in long-term forms was considerably higher in the earlier part of 1965 than a year earlier. In contrast, however, to 1964, a net capital outflow to the United States in short-term forms (even after a significant drop in private deposits of Canadians in United States dollars) offset most of the inflow from that country in long-term forms in each of the first three quarters of 1965, leaving a massive balance. Settlement of this was achieved in part by drawing down official holdings of United States dollars and in part through a substantial withdrawal of funds from the rest of the world. Indeed transactions between Canada and the rest of the world over the year as a whole gave rise to net multilateral settlements, or receipts applied on Canada's account with the United States, aggregating almost $1,500 million compared with $27 million in 1964. To a considerable extent these movements arose from the important international role of the Canadian banking system. Withdrawal from the system of substantial foreign currency deposits by United States residents, together with the necessity for financing from Canadian resources a larger balance of Canada's transactions with the United States, led almost inevitably to a substantial liquidation of net Canadian claims in United States dollars on overseas countries. These developments highlight dramatically the interdependence of the international financial system.

In 1965 the inflow of foreign direct investment capital turned upwards, after four years of decline, but inflows in some long-term forms were inhibited, while repurchases of outstanding equities, influenced probably by market developments as well as perhaps by the Interest Equalization Tax in the United States, occurred on an increasing scale. Very great pressures were therefore concentrated on the remaining substantial channel for long-term inflows (apart from direct investment), the sale to non-residents of new issues.

In the latter part of the year, at a time when the Canadian balance of international payments is normally relatively strong, the current account and general balance of payments were suddenly strengthened as a result of the second large wheat sale to Russia. During the autumn Canadian borrowers were also selling a large volume of Canadian securities in the United States. As a result Canada's exchange reserves, including the net creditor position in the International Fund, increased well above the level at which it was aimed to hold them in accordance with the understanding with the United States. The Canadian authorities regarded this abnormal rise as temporary, but it coincided with a period when the United States was quite concerned over its balance of payments.

Accordingly after reviewing the matter with the United States authorities, the Minister of Finance agreed that the financial authorities of both countries should cooperate in requesting Canadian borrowers and their underwriters to endeavour to defer until 1966 the delivery to the Canadian borrowers of the proceeds of security issues in the United States. The United States authorities informed the Minister that they would place no impediment in the way of making such deferred deliveries in 1966. As a result of this action in November 1965 it was hoped to smooth out the quarterly flow of capital between the two countries in a manner that better reflected the balance of payments requirements.

In the late fall the United States authorities decided that their balance of payments position required the adoption of further guideline measures. Two were of major concern to Canada. The first requested United States financial institutions other than banks to limit the increase in their holdings of long-term foreign investments to a small portion of their holdings at an earlier date. The Canadian authorities considered that this restriction on the sale of long-term securities in the United States, if applied to Canada, would have had very adverse effects. Accordingly they sought and obtained an exemption from this restriction, justified on the same grounds as the original exemption from the Interest Equalization Tax, and in consideration for a Canadian undertaking of the same kind regarding the level of Canadian reserves. Since it was not considered desirable to rely too heavily on general monetary and fiscal measures to control the inflow of capital, alternative techniques involving the repatriation of outstanding Canadian securities in the United States would be used if necessary.

The second important measure was a voluntary ceiling on direct investment by United States corporations. Vigorous representations were made by the Canadian authorities that the application of this guideline to Canada was inappropriate but after consideration the United States authorities came to the conclusion that the guideline had to be without special exceptions if it was to be effective in meeting the aims of their general balance of payments program.

Widespread concern was evoked in Canada by the developments in the United States program to strengthen its balance of payments position. The subject was discussed in March 1966 by the Joint Canada – United States Ministerial Committee on Trade and Economic Affairs. The Secretary of State for External Affairs reported to the House of Commons that the United States members made clear that the United States Government was not requesting United States corporations to induce their Canadian subsidiaries to act in any way that differed from their normal business practices as regards the repatriation of earnings, purchasing and sales policies, or their other financial and commercial activities. The actions which were taken served effectively to moderate the potential consequences of the program for the Canadian economy.

As the statistics in this report show, Canada's international transactions have on balance contributed strength to the United States balance of payments position. The difficulties which have been experienced in adapting the United States measures to Canada's special relationship are in some sense a reflection of that relationship.

In the event, long-term forms of inflow over the whole of 1965 were equal to only about two thirds of the deficit on current account, roughly reversing the position in the previous year although it may be noted that there was a substantial increase of undelivered new issues. The principal factors in the reduction between 1964 and 1965 of net capital inflows in long-term forms were a substantially increased outflow for the repatriation of Canadian equities, and a substantial contraction in bank and other borrowing. The effects of these declines were partly ameliorated by enlarged inflows for direct investment in Canada.

The shortfall was supplied by capital inflows in short-term forms. Volatility is a characteristic of these movements. The very large shift of well over half a billion dollars which occurred in 1965 reflected substantial inflows mainly through reductions of Canadian holdings abroad of bank balances and other short-term funds concentrated largely in the first half of the year when the heavy drawbacks of residents' funds employed by the Canadian banking system in the Eurodollar market occurred. During the year there was a substantial repatriation of Canadian finance company paper but these outflows were offset by enlarged external borrowing of other sorts by these institutions. The announcement in the third quarter of the second large sale of wheat to the U.S.S.R. gave promise of future export receipts and there were anticipatory inflows. As the year closed there were further large inflows of capital arising from changes in intercompany account balances, other short-term loans and accounts payable, etc. Over the year Canada's net external monetary assets rose.

This summary has noted the prominent place of new issues in the years from 1962 to 1965 and some of the official intervention which modified their pattern. Special interest may therefore attach to Statement 22 comparing actual inflows in long-term forms with series adjusted to reflect the timing of security offerings.

STATEMENT 22. Capital Movements in Long-term Forms, 1962 - 65

Period	Actual inflow	Adjusted to reflect timing of security offerings
	millions of dollars	
1962	+688	+968
1963	+637	+426
1964	+820	+749
1965	+713	+972
1962 I Q	+ 14	+116
II Q	– 14	–140
III Q	+228	+518
IV Q	+460	+474
1963 I Q	+381	+499
II Q	+204	– 43
III Q	+ 27	– 35
IV Q	+ 25	+ 5
1964 I Q	+ 3	– 33
II Q	+133	+ 88
III Q	+212	+401
IV Q	+472	+293
1965 I Q	+128	+209
II Q	+134	+105
III Q	+216	+331
IV Q	+235	+327

Sector Assets and Liabilities

Statement 23 provides an analysis of capital movements between Canada and other countries during 1963, 1964 and 1965 showing the flows affecting Canada's external assets (other than official monetary movements) and Canada's external liabilities, each classified by sector. This statement emphasizes the importance of the private sector and of provincial and municipal governments in Canada's international capital account. It shows the very substantial changes made each year to both external assets and external liabilities. Unlike the basic presentations elsewhere in this report, the statement incorporates on a gross basis the foreign currency operations of the chartered banks conducted from Canada. (The complex nature of these operations and the difficulties to which they give rise when interpreting various presentations of the balance of payments are referred to in a note on page 55.) It may be noted, for example, that the net outflows recorded for the banking sector in 1963 and 1964 in fact include cover for substantial increases in foreign currency deposits held in Canada by Canadian residents. Had these residents chosen to hold deposits of this nature with foreign banks or even with branches of the Canadian banking system outside Canada, the effect would have been to reduce or eliminate the outflow attributed to the banking sector and to correspondingly reduce the inflow on short-term account which in the statement is attributed to the private sector. (The basic presentation of the Canadian balance of payments for all sectors of the economy as a group recorded capital inflows in short-term forms of $30 million in 1963 and $527 million in 1965 and a capital outflow in short-term forms of $33 million in 1964.)

The fact that gross transactions between Canada and other countries aggregate very large sums is easy to overlook as attention tends to be focused on the balances of groups of transactions. Using data for 1965 it will, of course, be widely recognized that the deficit on current account of $1,083 million was made up of receipts of $11,503 million and payments of $12,586 million, or gross exchanges aggregating over $24 billion. It is more difficult to put a meaningful figure on gross capital transactions, although in the case of long-term securities detailed reports show that the net inflow of $541 million in 1965 involved receipts of $2,513 million and payments of $1,972 million. To this turnover of $4,485 million there might be added $2,361 million representing the turnover of short-term money market instruments. Without allowing for the turnover in many short-term forms such as foreign currency deposits of banks and of private Canadian residents, nor for turnover within the very substantial group of short-term loans and inter-company accounts receivable and payable, capital transactions in 1965 involved over $9 billion. Taking into account also the transactions in official holdings of external monetary assets, gross transactions between Canada and other countries during 1965 are clearly indicated to have been well over $35 billion.

STATEMENT 23. Capital Movements[1] between Canada and Other Countries, 1963 - 65

Summary by sector assets and liabilities

Sector[2]	1963			1964			1965		
	Affecting Canada's external assets[3]	Affecting Canada's external liabilities	Affecting Canada's net external liabilities	Affecting Canada's external assets[3]	Affecting Canada's external liabilities	Affecting Canada's net external liabilities	Affecting Canada's external assets[3]	Affecting Canada's external liabilities	Affecting Canada's net external liabilities
	millions of dollars								
Private:									
Long-term	–177	409	232	– 266	485	219	–251	742	491
Short-term	–117	268	151	– 178	520	342	– 48	107	59
Columbia River Treaty transactions	–	–	–	– 220	274	54	32	–	32
Banking[4]	–500	377	–123	– 767	486	–281	645	–185	460
Provincial and municipal governments	–	268	268	–	522	522	–	337	337
Government of Canada	26	113	139	– 54	–15	– 69	–156	17	–139
Totals	**–768**	**1,435**	**667**	**–1,485**	**2,272**	**787**	**222**	**1,018**	**1,240**

[1] Excludes changes in official holdings of gold and foreign exchange and changes in Canada's net balance with the International Monetary Fund.
[2] Columbia River Treaty transactions are shown separately because of their special character. (See text, page 50.) Funded debt of government enterprises is included with the appropriate government sector.
[3] A minus sign indicates an outflow of capital from Canada and a corresponding increase in Canada's external assets.
[4] Data for the banking sector include changes in assets and liabilities which are netted out in the data elsewhere in this report in accordance with the treatment described on page 55. They include both Canadian and foreign currency items. Because of the existence of substantial foreign currency claims on and by other residents of Canada, the net change bears no relationship to the foreign currency position of the banking system.

Direct Investment in Canada

The net movement of capital into Canada for direct investment in foreign-controlled enterprises during 1965 amounted to $405 million, substantially higher than the inflows of $280 million and $270 million during 1963 and 1964, respectively. The figures for these two earlier years were, successively, the lowest recorded since 1950.

The flows of long-term capital in connection with direct investment may be said to comprise several streams. Some of them are directed to new

capital formation; others arise from the consumption of capital. Others relate to the purchase or sale of existing enterprises or assets. Yet others arise from changes in financial structure, the interchange of equity and debt financing, recourse to various financial markets, shifts in financial working capital, etc. Many of these transactions tend to be large and irregular. They may be inwards or outwards. At times their net impact may be largely in one direction or the other and may substantially obscure any trend of more regular flows.

In the main, the net inflows aggregating $280 million in 1963 and $270 million in 1964 reflected additional investment by foreign corporations in their Canadian subsidiaries or branches and contributed to new capital formation in Canada. In both years inflows for the takeover of existing concerns by non-residents were on balance exceeded by outflows from Canada covering the repurchase of foreign equity in Canadian enterprises. This was a reversal of the situation in most earlier years, particularly 1962, when net inflows for the takeover by non-residents of Canadian enterprises and for refinancing, etc. having no counterpart in current new capital formation in Canada accounted for well over a quarter of the net movement. Indeed the swing in this type of transaction served to explain about $175 million of the decline of $225 million in the net inflow from 1962 to 1963.

During 1965 there were significant outflows on balance, particularly in the first quarter, covering takeovers and refinancing operations. Abstracting the various special transactions not related to current capital formation in Canada, the remaining flows appear to have been somewhat more evenly divided by quarters and generally larger than the overall totals for the immediately preceding years.

The long period during which the industrial distribution of direct investment inflows was dominated by the demands of the petroleum and natural gas industry and mining came to an end in 1963 when manufacturing assumed first place. It accounted for more than a third of the net direct investment inflow in 1963 and more than two thirds of the 1964 inflow. Gross inflows to manufacturing in 1964 were significantly higher than in 1963 but were somewhat more reduced by outflows. Petroleum and natural gas was in second place, receiving more than a quarter of the net movement in both 1963 and 1964 although the flow was considerably reduced from previous years when the influence of takeovers was more prominent. The finance industry followed with about one tenth of the 1964 movement. Inflows into mining were sharply down from 1963 when they represented about one sixth of the net movement.

It has already been noted that in 1965 direct investment inflows were about 50 per cent larger on balance than in 1964.[2] Net inflows to manufacturing continued to outpace those to other industrial sectors and represented about half of the net movement. There were important takeover and refinancing transactions in each direction, which produced, on balance, a moderate inflow. Petroleum and mining also received important amounts, but on balance the net movements to or from other industrial sectors do not appear to have been large. Petroleum was affected by outflows from several large takeover transactions.

In the light of the changing industrial composition of the flows, it is of interest to note that investment in manufacturing in Canada, as reported in "Private and Public Investment in Canada", rose by 7 per cent from $1,269 million in 1962 to $1,358 million in 1963, and then increased dramatically to $1,831 million in 1964 and $2,340 million in 1965. In contrast to declining direct investment inflows from non-residents to the petroleum and natural gas industry total capital outlays in the industry in Canada in 1964 and 1965 rose by about 8 per cent and 9 per cent, respectively, over the 1963 level. A similar pattern was evident in other mining.

Geographically the bulk of the net inflow for direct investment continued to originate from the United States. Net movements from that country accounted for $220 million in 1963, $188 million in 1964 and $353 million in 1965 out of totals of $280 million, $270 million and $405 million, respectively. United Kingdom-controlled investment gave rise to net inflows of $38 million and $55 million in the two earlier years and to an outflow of $2 million in 1965 which appears to have been largely associated with the drawing down of intercorporate liabilities. Other OECD countries in Europe accounted for inflows of $27 million and $47 million in 1964 and 1965 and other sterling area countries for inflows of $4 million and $3 million, respectively. A net outflow of $4 million to all other countries in 1964 was offset by a $4 million inflow in 1965.

The industrial distribution of movements of capital for United States direct investments in Canada from 1955 through 1964 is given in Table 5. Data in this form are not yet available for 1965. The figures show the changing mix of gross inflows and outflows. Many United States-controlled companies in Canada obtain investment capital from sources in the United States other than their parent companies or principal owners. These investments, which from time to time generate substantial capital flows, affect total United States investments in controlled companies in Canada. In this table they are included in the category "Other Capital Movements" which

[2] There are many reasons why capital flows for direct investment are not always closely related to current capital formation. See "*About the figures* – Foreign Direct Investment in Canada" Page 35, "The Canadian Balance of International Payments 1960 and International Investment Position".

also includes classification adjustments and adjustments for investment abroad by United States-controlled enterprises in Canada. In most post-war years, and particularly in the late 1950's, they have involved substantial net inflows of capital. However, they have tended to decline in recent years, and in 1964 they resulted in a net capital outflow. When these movements are taken into account, the net capital flow from the United States affecting the book value of United States direct investment in Canada is shown to have been considerably different from the flow of direct investment capital and its industrial distribution. The further continuing and important element in this series is the growth of undistributed earnings accruing to United States owners, but it is also affected, at times quite erratically, by revaluations, reclassifications, and similar accounting adjustments. It will be noted that the actual capital flow associated in any given period with a change in the control of a company may give rise to shifts of a quite different order of magnitude.

New material recently published in the United States[3] covering Canadian affiliates of United States companies in the manufacturing, mining and petroleum industries confirms the importance of the part played by foreign-controlled enterprises in investment activity in Canada. However, the flows of direct investment capital may be seen to be marginal in the sense that they appear to be significantly more volatile than other sources of financing. Thus in 1964 funds from the United States invested in these Canadian affiliates accounted for only 6 per cent of funds used by them, including net income retained, depreciation and depletion, and funds obtained in Canada and elsewhere. When the total funds needed increased by some U.S. $750 million in 1965 the use of United States funds jumped some U.S. $500 million to 23 per cent of the total. Depreciation and depletion supplied 39, 38 and 31 per cent of these funds in 1963, 1964 and 1965, respectively, net income retained 33, 33 and 22 per cent, and funds raised elsewhere than in the United States 17, 19 and 21 per cent, respectively.

Canadian balance of payments estimates do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a factor contributing to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investment in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiesence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Some of the factors affecting the distribution or retention of earnings have been referred to earlier. Table 7 shows substantial outflows in the direct investment account representing the return of capital to its foreign owners, amounting, in 1964, to the unusually high figure of $461 million to the United States alone. A part of these outflows reflects the withdrawal of foreign investors from some enterprises, but by far the largest part seems to cover capital repayments arising from cash flows generated in the enterprise in Canada, and may often be substantially offset by the retention in Canada of undistributed earnings accruing beneficially to non-residents. Such outflows may in a sense be regarded as really transfers of income although they take a capital form.

Revised estimates of the total undistributed earnings on all foreign direct investments are included in Table 6. Earnings retained during 1964 are estimated to have amounted to about $455 million. The accumulation of undistributed earnings has added $5,215 million to Canada's external indebtedness in the 19 years from 1946 to 1964. Industrial details for 1960 and 1961 published in Statement 12C of the report for 1961 and 1962 indicate that well over half of these undistributed earnings accrued to manufacturing. Retained earnings on foreign portfolio investment in Canada add further large amounts. The estimates show that undistributed earnings of foreign direct investment in Canada have fluctuated considerably. The trend was typical of the undistributed earnings of all Canadian corporations, although the share of foreign direct investment has been declining. Many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad reached $135 million in 1963, $95 million in 1964 and $125 million in 1965. The 1963 flow was the largest on record and compared with previous peaks of $105 million in 1962 and 1956. As in earlier years, the totals reflect a multiplicity of transactions having little in common with respect to origin or destination.

Geographically, in 1963 the United Kingdom was the largest recipient of Canadian direct investment capital with net outflows of $40 million to that country. Among the important industrial areas of investment were the beverages and distribution sectors. Direct investment in the United States followed with a net outflow of $36 million in which the finance industry and manufacturing played an important role. Other OECD countries in Europe followed close behind with receipts of $33 million much of which was directed to manufacturing. Investments in other sterling area countries and in all other countries each received outflows from Canada of $13 million.

[3] "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January, 1967, Office of Business Economics, United States Department of Commerce.

The geographic pattern changed considerably in 1964 when the United States and sterling area countries other than the United Kingdom assumed first place, each receiving $35 million of the direct investment outflows of Canadian capital. Prominent among the investments in the United States were beverages and finance, but there were outflows to other industrial sectors which were more than offset by the return of Canadian capital. Manufacturing, mining and finance were prominent among investments in sterling area countries other than the United Kingdom. There was a sharp contraction in outflows to the United Kingdom. These fell from the exceptionally high level of $40 million recorded in 1963 to $3 million in 1964. While there continued to be important outflows to some manufacturing enterprises, funds were withdrawn from some other Canadian direct investments in the United Kingdom. It will be recalled that the United Kingdom was experiencing exchange difficulties at this time and it may be supposed that some of the larger enterprises reduced their working capital in the United Kingdom. Other OECD countries in Europe were the next largest recipients of Canadian direct investment capital in 1964 but at $18 million, the amount was well below the levels of some earlier years. Manufacturing and beverages accounted for an important part of the total. The net outflow to all other countries also contracted and at $4 million was somewhat less than one third of the figure for the previous year.

In 1965 the outflow to the United States doubled to $70 million, most of which was directed to the manufacturing and financial sectors. The geographical distribution of flows to overseas countries was little changed. The outflow to sterling area countries other than the United Kingdom increased slightly to $38 million. This was principally allocated between mining, transportation and finance. The outflow of $17 million to other OECD countries in Europe again went mainly to manufacturing and beverages. On balance, there was a small inflow of $2 million from the United Kingdom and an outflow of the same amount to all other countries.

Summary of Transactions in Portfolio Securities

The net capital inflow from Canada's international transactions in portfolio securities exceeded the inflow for direct investment in foreign-controlled enterprises, traditionally the major type of long-term capital inflow, in each of the years, 1963 to 1965. In total, the net inflows of $471 million, $645 million and $541 million for 1963, 1964, and 1965, respectively, were equivalent to over 80 per cent of the aggregate deficit on current account for the three-year period.

Details of transactions in Canadian and foreign issues respectively are given in Tables 9 and 10, and in summary form in Statements 24 to 27. The proceeds of new issues of Canadian securities sold to non-residents in 1965 amounted to $1,209 million but there were offsetting retirements of $382 million of foreign-held Canadian securities. Trading in outstanding Canadian securities led to a net capital outflow of $202 million bringing the net inflow from transactions in Canadian securities to $625 million. In the opposite direction there was a net capital export of $84 million from all transactions in foreign securities by Canadian residents.

In each of the three years under review overall transactions in portfolio securities with the United States gave rise to substantial inflows of capital, which were moderately reduced by purchase balances with the United Kingdom. Apart from an outflow of $30 million in 1963 from dealings in Canadian securities with residents of other OECD countries, net transactions with other countries involved fairly small movements.

The United States has long been the principal source of the capital arising from Canada's international transactions in portfolio securities. Only twice over the past two decades, in 1947 and 1955, have there been net outflows to that country in any year as a whole. The net capital inflow from security transactions with the United States totalled $613 million in 1965 compared with $576 million and $685 million in 1963 and 1964. The movement in 1965 included net sales of $685 million of Canadian securities, comprising $28 million of outstanding bonds and debentures and $1,166 million of new issues offset by $326 million of retirements and net purchases of outstanding stocks amounting to $183 million. A similar pattern was followed in 1963 and 1964 with substantial inflows from the sale of new issues together with modest net sales of outstanding bonds outweighing outflows for the repurchase of outstanding stocks and retirements. Transactions with the United States in foreign securities in 1965 led to a capital outflow of $72 million compared with a $41 million outflow in 1964. The 1965 outflow involved net purchases of outstanding and new issues totalling $51 million and $27 million, respectively, which were slightly reduced by an inflow of $6 million from retirements. Inflows of $17 million from retirements and $42 million from net sales of outstanding issues were partly reduced by purchases of $34 million of new issues to produce an inflow of $25 million in 1963.

Security transactions with the United Kingdom in 1965 produced a net capital outflow for the sixth year in succession. Net repurchases of Canadian issues accounted for the overwhelming proportion of outflows of $84 million, $53 million and $62 million in 1963, 1964 and 1965, although in each year small outflows also accrued from the net purchase of foreign securities. In each year transactions in Canadian securities were dominated by outflows for the repurchase and retirement of outstanding securities (particularly of stocks) held by non-residents. An especially large outflow of $82 million in 1963 included retirements amounting to $40 million and the repatriation of $5 million of foreign-held bonds and of $55 million of foreign-held stocks. These movements were reduced by sales of new issues amounting to $18 million. Purchase balances of $45 million and $61 million from trading in Canadian

securities in 1964 and 1965 conformed to this broad pattern. Transactions in foreign securities with the United Kingdom led to small outflows of $2 million in 1963, $8 million in 1964 and $1 million in 1965, which resulted almost entirely from trading in outstanding issues.

There was a small purchase balance of $21 million from security transactions with other foreign countries in 1963. Contributing to this total were outflows of $1 million for the purchase of foreign issues and of $7 million and $49 million for the repurchase and retirement of outstanding Canadian issues. These outflows were reduced by receipts of $36 million from the sale of new Canadian issues. The overall outflow of $10 million in 1965 came from net purchases of foreign securities. Transactions in Canadian securities were more or less offsetting with retirements producing an outflow of $33 million and sales of outstanding and new issues inflows of $6 million and $28 million. In 1964 a net inflow from transactions in Canadian securities of $16 million, comprising retirements of $43 million and net sales of $38 million and $21 million of new and outstanding issues, was reduced by a net outflow of $3 million for the acquisition of foreign securities.

A high volume of portfolio security movements between Canada and other countries is normal. In 1965 the total value of transactions leading to a net inflow of $541 million approximated $4.5 billion or about $0.8 billion higher than the 1963 level.

Statistics compiled by the Bank of Canada indicate that gross deliveries of new Canadian issues in both domestic and foreign capital markets during 1965 amounted to $7.0 billion. Retirements totalled $4.6 billion to leave a net new supply of $2.4 billion, or significantly less than in 1964 when the net new supply reached $3.0 billion of which $557 million comprised Government of Canada direct and guaranteed issues. In contrast, in 1965 the Government of Canada retired $62 million of its issues — the first time there has been no net increase since 1957. After accounting for retirements non-residents purchased $697 million of new and outstanding issues in 1964, or the equivalent of 23 per cent of the net new supply. In 1965, however, net purchases by non-residents, though somewhat lower at $625 million, constituted 26 per cent of the significantly smaller net new supply. Net purchases by non-residents in 1963 formed about 18 per cent of the net new supply. Foreign capital invested in provincial securities was equal to 37 per cent of the net new supply of provincial issues in 1965 compared with 41 per cent in 1964, 30 per cent in 1963, and 18 per cent in 1962. The sharp rise in 1963 was associated with a substantial increase in net new borrowing by provinces. Foreign investment in municipals represented about 22 per cent of net new issues in 1965 compared with 33 per cent in 1964 and 22 per cent in 1962. In 1963 there was a net outflow of $14 million from transactions with non-residents, which was equivalent to about 4 per cent of the net new supply. In the case of corporate and institutional bonds and debentures, net purchases by non-residents increased from 42 per cent of the net new supply in 1962 to 47 per cent in 1963 and 49 per cent in 1965. The 1964 figure was somewhat lower at 39 per cent. When transactions in stocks are combined with those in corporate and institutional bonds and debentures, net purchases of the net new supply by non-residents rose in each year from 6 per cent in 1962 to 20 per cent in 1965, despite substantial net outflows for the retirement and repurchase of foreign-held Canadian stocks.

In their trading in Canadian securities foreign investors appear to be influenced by many considerations including exchange rate factors, relative investment opportunities elsewhere, and the political and economic climates at home and abroad. The controversy over the takeover of public utilities by provincial authorities which was in evidence between 1961 and 1963 appears to have subsided somewhat by 1964 but it seems likely that investment confidence was further shaken in 1965 by the failure of a major Canadian sales finance corporation and disclosures relating to other publicly traded corporations.

During the period under review security transactions between Canada and other countries were also significantly influenced by balance of payments measures introduced by the Governments of several countries, including Canada. Steps were taken in the Canadian budget of 1963 to relieve certain non-resident purchasers of Canadian bonds of the burden of the Canadian withholding tax but in July 1963 a proposal to adopt an interest equalization tax was introduced in the United States. Although the intention of exempting Canadian borrowers was announced shortly afterwards, uncertainty continued to dominate the United States capital market as a source of long-term financing for Canada for the rest of that year. In 1965 the United States Government adopted additional measures, including, by joint arrangement with the Canadian authorities, the deferral of some deliveries of Canadian offerings on the New York capital market and the introduction of a series of voluntary guidelines to inhibit the export of United States capital. Steps taken in 1965 by the United Kingdom Government to improve its balance of payments position included a provision to allocate to official reserves 25 per cent of the foreign currency proceeds received by United Kingdom residents from the sale or redemption of securities of countries outside the sterling area and so to reduce substantially the new supply of so called investment currency available to United Kingdom residents for investment in the securities of non-sterling area countries.

Transactions in Outstanding Canadian Securities

Trading in outstanding Canadian securities in the period 1963-65 followed the broad pattern of purchase balances set in 1962, when net sales of bonds and debentures to non-residents were more than offset by net repurchases of foreign-held common and preference stocks. This contrasts sharply

with the period from 1950 to 1961 when substantial capital inflows from the net sale of outstanding stocks was the pattern for most years. As shown in Statement 24, there were substantial purchase balances of $131 million and $202 million in 1963 and 1965, respectively. The repatriation of Canadian equities which dominated trading in both 1963 and 1965, accounted for exceptionally large net outflows of $170 million and $264 million while net sales of Canadian bonds resulted in inflows of $39 million and $62 million, respectively. A sharply reduced net outflow of $98 million from the repatriation of Canadian stocks combined with a moderate increase, to $77 million, in the net sale of bonds and debentures led to a much smaller purchase balance of $21 million in 1964.

STATEMENT 24. Portfolio Transactions in Canadian Securities between Canada and Other Countries, 1963-65

Country and type of security	Trade in outstanding issues			New issues			Retirements			Total		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965
	millions of dollars											
United States	– 64	–14	–155	+930	+1,040	+1,166	–315	–300	–326	+551	+726	+685
United Kingdom	– 60	–28	– 53	+ 18	+ 22	+ 15	– 40	– 39	– 23	– 82	– 45	– 61
Other countries	– 7	+21	+ 6	+ 36	+ 38	+ 28	– 49	– 43	– 33	– 20	+ 16	+ 1
Totals	**–131**	**–21**	**–202**	**+984**	**+1,100**	**+1,209**	**–404**	**–382**	**–382**	**+449**	**+697**	**+625**
Bonds and debentures	+ 39	+77	+ 62	+970	+1,078	+1,179	–324	–324	–374	+685	+831	+867
Common and preference stocks	–170	–98	–264	+ 14	+ 22	+ 30	– 80	– 58	– 8	–236	–134	–242

The geographical distribution of these net capital flows showed little variation over the three-year period. Transactions in outstanding stocks generated net outflows to each of the three main areas in each of the three years. Trading in outstanding bonds and debentures, on the other hand, resulted in net capital inflows from the United States and other countries and outflows to the United Kingdom in each year.

Overall, trade in outstanding Canadian securities produced net outflows in all quarters of 1963, and in all quarters of 1965 except the third when a small net inflow occurred. Purchase balances in the first and fourth quarters of 1964 were considerably reduced by inflows in the second and third quarters. The net capital outflows for the repatriation of outstanding common and preference stocks, which commenced in the fourth quarter of 1961, continued in each quarter of the three-year period.

The average of common stock prices in Canada, as measured by the DBS Investors Index, rose 3 per cent during 1965, about one seventh of the rate of increase recorded in 1964 and one third of that in 1963. In contrast to 1964 Canadian prices in 1965 were less strong than those in the United States, as measured by Standard and Poor's "500" Index. There was a close similarity in the magnitude and direction of movement in the two indexes during the first six months of 1965, with each rising steadily up to May and falling in June. Monthly movements were again broadly similar in direction in the latter half of the year. However, on the whole, increases were larger and decreases smaller in the United States so that the index in that country reached a new monthly peak in November 1965 and closed the year at its second highest monthly level ever. In contrast Canadian stock prices in December 1965 were still 5 per cent below the May monthly peak.

The roughly parallel movement in stock prices in the two countries mirrors the similarity of market influences as well as the interlisting of issues. Gross sales to non-residents in 1965 of $427 million of outstanding Canadian stocks were $107 million lower than in 1964 and amounted to about one eleventh of the value of securities traded on the principal exchanges in Canada – about three quarters of the 1964 proportion. Gross purchases from non-residents of $691 million represented about one seventh of trading on Canadian exchanges – roughly the same proportion as in the previous year. Included in the above comparisons is trading on the so-called "Z" markets. These are special trading facilities set up by the principal stock exchanges in Canada, shortly after the July 1963 proposal in the United States for the Interest Equalization Tax. On these markets United States residents may buy Canadian securities from their fellow countrymen without incurring a tax penalty. Transactions on these special markets were somewhat in excess of $20 million in 1965, down significantly from the 1964 total of about $30 million. The largest of these "Z" markets is operated by the Toronto Stock Exchange and it is interesting to note that the main decrease

in the value of their trading occurred on the industrials section while there was only a small decline in the value of shares traded on the mines and oils section. As a result of these changes the value of shares traded on the industrials section of the Toronto "Z" market which had been only slightly less than on the mines and oils section in 1964 declined to about one half in 1965. It should be noted that all purchases by United States investors of the stock of certain Canadian corporations, including some of the largest, whether from United States residents or not, have been exempted from the incidence of this tax. Exclusion is based mainly on the degree of United States ownership and the volume of trading of the shares on stock exchanges in the United States. Trading of the shares in these companies on exchanges in Canada between United States residents would not be reflected in the "Z" market figures but would form a part of the grand total of all shares traded on stock exchanges in Canada.

New Issues and Retirements of Canadian Securities

The net capital inflow from the sale of new issues of Canadian securities to non-residents, which, in 1963, reached $984 million, the highest level since the war, moved to successively higher peaks of $1,100 million and $1,209 million in 1964 and 1965. The 1963 data include the delivery of the second half of a $270 million United States pay offering, which constituted the first Government borrowing outside Canada since 1950 and acted as a lead to other sections of the long-term market. Sales to non-residents of new issues of provincial governments expanded sharply to $343 million in 1963 and to $439 million in 1964 but fell to $297 million in 1965. A similar pattern was followed by sales of new municipal issues which rose to $62 million and $182 million in 1963 and 1964 and contracted to $86 million in 1965. Sales of new corporate bond issues, commencing from a high level of $331 million in 1962, continued to grow in each of the three years under review. Proceeds for 1965, most of which were ear-marked for further expansion of the pulp and paper, and petroleum and natural gas industries, reached the unprecedented level of $768 million, or almost as much as the $392 million of 1963 and $414 million of 1964, combined. Details of the new issues classified by issue and currency of payment are provided in Table 9. These show that there was considerable quarterly variation in the sale of new issues to non-residents during the three years.

United States residents purchased over 96 per cent of the new issues sold to non-residents in 1965 compared with 95 per cent of both the 1963 and 1964 amounts. The proportion of new issues of Canadian bonds and debentures sold to non-residents which were payable either optionally or solely in foreign currency was 85 per cent in 1963, 79 per cent in 1964 and 81 per cent in 1965.

Statement 25 gives details of offerings of new Canadian bonds and debentures made to United States residents and delivery data appropriate for balance of payments purposes over the ten-year period 1956 to 1965. The figure of $1,408 million for total offerings to United States residents in 1965 is the highest recorded for any year since statistics of offerings have been compiled, and easily exceeds the previous high of $957 million reached in 1964. It should be noted, however, that a proportion of the new Canadian issues placed with United States underwriters is frequently resold to residents of other foreign countries. In contrast to 1964 and 1963, offerings of new Canadian issues during 1965 were fairly evenly distributed between the four quarters. Substantial amounts of the offerings, especially in the third and fourth quarters, were for later delivery. The undelivered balance of sales at the end of 1965 was $310 million or six times the year-end figure for 1964. This is in part a reflection of the joint request made in November by the Canadian and United States Governments to defer until January 1966 the delivery of new Canadian issues placed on the New York capital markets.

STATEMENT 25. Offerings and Deliveries of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1963 - 65

Item	1963	1964	1965
	millions of dollars		
Offerings	711	957	1,408
Deliveries of prior offerings	322	122	46
Offerings for later delivery	111	51	305
Proceeds of new issues	922	1,028	1,149
Undelivered balance at end of period	122	51	310

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian bonds and debentures is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of these Canadian securities sold to non-residents in 1965 was $1,179 million. This included $229 million from the sale of Canadian bonds and debentures payable in Canadian funds and $950 million payable optionally or solely in foreign currencies. As many bond issues are sold at a discount, the par values at which they should be redeemed (unless repurchased through the market) are, of course, somewhat above the amounts received by the borrowers. In addition there may be certain underwriting costs to pay in foreign currencies when the issues are floated abroad.

Statement 26 compares yields on representative long-term bonds issued by the Governments of Canada and the United States. (It is considered that differences in bond yields between Canada and the United States are among the factors determining the source of new capital raisings by the major Canadian borrowers. Other factors may include the magnitude of financing involved and the possible saturation of the Canadian market, the relative standings in Canadian and foreign markets of various borrowers and their relationship to the markets, as well as the type of industry involved.) Changes in interest rates in Canada and the United States appear to have been more sympathetic during the years 1963, 1964 and 1965 than they were in either of the two previous years. In both Canada and the United States interest rates tended to rise in 1963 and 1965 and to decline in 1964. The yield on the representative long-term Government of Canada issue shown in the statement rose by 9 base points to 5.16 per cent during 1963 and by 47 base points to 5.53 per cent during 1965. The yield on the roughly comparable United States Government issue increased by 35 base points to 4.19 per cent during 1963 and by 33 base points to 4.49 per cent during 1965, but fell 3 base points to 4.16 per cent during 1964. In 1964 the yield on the Canadian bond declined by 10 base points to 5.06 per cent. Over the three-year period the yield differential varied between 127 base points in August 1963 and 88 in January 1965. It should be noted, however, that the comparison of yields between central government issues may not be the one most appropriate for analysis of international security transactions. Markets for these instruments appear at times to have reflected special local domestic monetary and fiscal situations. It is not improbable that an investor may give to the securities of his own central government a specially preferred position, and may equate the securities of a foreign central government in his portfolio with those of a high grade junior government or corporation. Special tax considerations in the United States add to the difficulty of comparisons.

STATEMENT 26. Yields on Representative Long-term Government Bonds, 1963-65

Last Wednesday	Canada[1]	United States[2]	Differential
	per cent		
1962—December	5.07	3.84	1.23
1963—March	5.07	3.88	1.19
June	4.91	3.99	.92
September	5.08	3.99	1.09
December	5.16	4.19	.97
1964—March	5.25	4.25	1.00
June	5.20	4.10	1.10
September	5.21	4.16	1.05
December	5.06	4.16	.90
1965—March	5.11	4.13	.98
June	5.20	4.15	1.05
September	5.40	4.35	1.05
December	5.53	4.49	1.04

[1] 3¾% January 15/75-78.
[2] 3¼% June 15/78-83.

Retirements of Canadian securities in 1963 climbed to a record level of $404 million, the largest amount recorded since the early post-war years when retirements were motivated by circumstances advantageous to refunding. In 1964 and 1965 retirements were somewhat lower at $382 million. In keeping with the current trend towards increasing retirements of Canadian bonds, which is to a large extent a direct consequence of the massive volume of new borrowing undertaken in the earlier post-war period, retirements of Canadian bonds held by non-residents rose appreciably to $324 million in 1963 and 1964 and $374 million in 1965. The purchase of private utility companies by provincial authorities considerably augmented retirements in 1963 and 1964 and accounted for the major proportion of equity retirements of $80 million in 1963 and $58 million in 1964.

Transactions in Foreign Securities[4]

Apart from a small net inflow of $22 million in 1963, the pattern of annual purchase balances, which has been a feature of Canada's international transactions in foreign securities since 1959, continued unbroken to 1965. In 1964 and 1965 there were exceptionally large outflows of $52 million and $84 million respectively, the bulk of which went to the United States. There were also small outflows in both years to the United Kingdom and other countries. A modest sales balance with United States residents in 1963 was slightly reduced by purchase balances with residents of the United Kingdom and other foreign countries. The 1963 sales balance was chiefly explained by a shift in the direction of trading in outstanding issues. The net inflow of $40 million, which was evenly distributed between bonds and stocks, compared with outflows of $65 million in 1962 and of $31 million and $53 million in 1964 and 1965. The 1965 outflow which was almost entirely attributable to dealings in United States securities included a substantially increased outflow of $72 million for the net purchase of stocks and a net inflow of $19 million from the sale of bonds.

In 1963 Canadian residents purchased $39 million of new foreign issues, mainly of United States and Israeli bonds, and in 1965, $56 million of new issues, or nearly twice the 1964 amount of $31 million. Purchases of new United States securities in 1965 rose sharply to $27 million while a new offering of a Canadian dollar issue by an international institution accounted for most of the unusually large outflow of $29 million recorded for other foreign countries. The retirement of a Canadian dollar issue of the same international institution constituted a major part of an exceptionally large inflow of $25 million which resulted from retirements of Canadian held foreign securities in 1965. The unusually large inflow of $21 million in 1963 chiefly involved the retirement of United States issues.

The attractiveness of investment in foreign securities to Canadian investors is determined by many long-term considerations. The relative economic conditions and expectations in Canada and abroad; the limited opportunity in some industries for investment in publicly-owned Canadian companies and the possibility of indirect investment in wholly-owned Canadian subsidiaries through ownership of shares of the foreign parent companies; exchange rate considerations; the increasing difficulty of large Canadian institutional investors to trade on a relatively small market without affecting prices significantly; and the decrease in certain types of public utilities securities available for investment are among the influences which have been felt in recent years. Recent years have also seen increased portfolio investment abroad by some Canadian investment managers and the creation of some mutual funds for such investment.

[4] See Table 10.

STATEMENT 27. Portfolio Transactions in Foreign Securities between Canada and Other Countries, 1963-65

Country and type of security	Trade in outstanding issues			New issues			Retirements			Total		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965
	millions of dollars											
United States	+42	−26	−51	−34	−20	−27	+17	+ 5	+ 6	+25	−41	−72
United Kingdom	− 2	− 8	− 1	—	—	—	—	—	—	− 2	− 8	− 1
Other countries	—	+ 3	− 1	− 5	−11	−29	+ 4	+ 5	+19	− 1	− 3	−11
Totals	**+40**	**−31**	**−53**	**−39**	**−31**	**−56**	**+21**	**+10**	**+25**	**+22**	**−52**	**−84**
Bonds and debentures	+20	− 9	+19	−37	−19	−36	+21	+10	+25	+ 4	−18	+ 8
Common and preference stocks	+20	−22	−72	− 2	−12	−20	—	—	—	+18	−34	−92

United States "Income Accumulating Funds"

The organization in 1954 and the years following of a group of rather special Canadian diversified management investment companies introduced a new and important factor into trade in outstanding securities between Canada and the United States. The special character of these international investment media was substantially eliminated by the end of 1964. Data covering 1954 to 1965 which follow, bring together some of their more pertinent and interesting operations during this period.

These new open-end funds made their first appearance in mid-1954 and by the end of that year seven were in existence. They were incorporated in Canada and through rulings obtained under United States legislation were able to offer important tax advantages to United States investors. Although

the arrangements were technical and complex, in broad outline the companies were liable to relatively low tax rates in Canada either as non-resident-owned investment corporations or as other corporations whose income was largely exempt from Canadian corporation tax. They complied with certain organizational requirements established under new administrative arrangements by the United States authorities, and were authorized to offer their shares in the United States market. The funds paid no dividends and under United States tax legislation increases in the value on redemption of shares held by United States residents attracted tax rates applicable to capital gains rather than the higher rates generally applicable to income. The funds thus provided particular attraction for United States investors subject to relatively high rates of personal taxation who sought a medium for long-term capital appreciation and wished to participate under professional management in the then booming Canadian market in equities.

The essential purpose of the funds was to provide an attractive medium for United States portfolio investment in Canada, and although technically they were Canadian corporations controlled by residents of the United States, throughout the period they have been treated in Canadian balance of payments statistics as representing United States portfolio investors. Their transactions in Canada are therefore embraced within statistics of international trading of Canadian securities. From the beginning the funds were also significant investors in equities in countries other than the United States and Canada. These transactions occurred for the most part outside Canada and are consequently not reflected in the Canadian statistics.

By 1959 there were ten funds of this character in existence and it is understood that they had some 130,000 shareholders in the United States, in many ways a surprisingly large number in view of their rather special objectives and features. Mid-1959 marked the peak of these institutions. It is estimated that by that time their net assets reached $404 million, comprising $353 million of Canadian equities, $6 million of Canadian long-term bonds, $35 million of non-Canadian securities and $10 million of other net assets. These holdings originated from shareholders' subscriptions aggregating $311 million together with about $35 million of net income which had been retained and about $58 million of capital appreciation, realized and unrealized. A large part of the capital was subscribed during 1954 when the institutions first came on the scene. In each of the years from 1955 to 1957 further net sales by the funds of their own shares raised sums ranging between $60 and $68 million. Following sharp market declines in the latter part of 1957 sales of new shares barely kept pace with redemptions and by the first half of 1959 there were net withdrawals of capital from the companies.

During their first five years of life the funds are estimated to have purchased $268 million of Canadian equities, their net acquisition having reached a peak of $78 million in 1956. Market observers attributed considerable importance to these operations in their explanations of the sharp rises in Canadian equities which occurred from time to time during the period, and substantial purchases which occurred in the latter part of 1957 when Canadian prices were falling, must have played a moderating role. It is of some interest to note that on the basis of the overall movement of Canadian equities between Canada and the United States it would appear that in 1954 and 1955 the funds as a group were somewhat more important than all other United States investors. In 1956 virtually all of the net movement can be attributed to the funds and in 1957 there was a substantial offsetting movement when the funds purchased on balance $78 million of Canadian equities and other United States investors appeared to have disposed of $68 million. As the growth of the funds tended to moderate in 1958, other United States investors became on balance the more important source of this type of capital inflow, with the funds accounting for about $13 million of the net purchases of $70 million by all United States investors in that year. By early 1959 the funds had become net sellers of Canadian equities although other United States investors continued to be very large buyers.

After mid-1959 the funds tended to contract. Investors disposed of shares in the funds throughout the period during which they continued to provide a special tax advantage. By the end of 1962 the net capital subscribed had been reduced to $151 million and the market value of the net assets of the funds had fallen to $256 million. The impact on the Canadian balance of payments was somewhat larger than these figures might imply because the funds increased their holdings of equities outside the United States and Canada while at the same time they reduced sharply their holdings of Canadian equities. The market value of their holdings of non-Canadian securities rose from $35 million in mid-1959 to $52 million at the end of 1962. In the same period the market value of Canadian securities held by the funds fell from $359 million to $175 million. This decline reflected the net sale by the funds of some $164 million of Canadian securities.

Amendments during 1962 to the United States tax legislation had the effect of substantially eliminating the special tax position enjoyed by United States shareholders of the funds. The interest equalization tax proposed in mid-1963 introduced a further factor inhibiting their operations. In the succeeding months five of the funds chose to shift their domicile to the United States. This was accomplished by exchanges of shares and the subsequent liquidation of the original Canadian corporations. Two of the funds merged, and by the end of 1964 only four of the ten remained. Responding to the United States tax changes these funds soon commenced the payment of dividends to their shareholders and it could be said that at this stage the funds had in effect lost all of the special features which originally characterized them.

STATEMENT 28. Net Purchases of Canadian Stocks by United States "Income Accumulating Funds" and All Other United States Residents, 1954-65

Period	United States "Income Accumulating Funds"	Other United States residents	Total, United States residents
	millions of Canadian dollars		
1954 – January-December	44	43	87
1955 – January-December	57	34	91
1956 – January-June	41	7	48
July-December	28	– 8	20
1957 – January-June	46	– 47	– 1
July-December	32	– 21	11
1958 – January-June	10	9	19
July-December	3	48	51
1959 – January-June	– 5	60	55
July-December	–12	32	20
1960 – January-June	–20	49	29
July-December	1	26	27
1961 – January-June	–53	120	67
July-December	–18	73	55
1962 – January-June	–27	39	12
July-December	–32	9	– 23
1963 – January-June	–28	– 32	– 60
July-December	–23	– 16	– 39
1964 – January-June	3	– 34	– 31
July-December	1	– 22	– 21
1965 – January-June	– 3	–112	–115
July-December	– 3	– 65	– 68

During the transition period 1963 and 1964, there continued to be on balance capital withdrawals from the funds amounting to $37 million overall, although this development was arrested in mid-1964 and in the latter part of that year there was some growth in the net capital subscribed. Changes of domicile involved the transfer of $155 million of assets including $92 million of Canadian securities. These factors were principally responsible for the decline of $174 million in the overall net assets of the funds to $82 million. During 1963, the funds continued to be large sellers of Canadian stocks accounting for more than half of the net sales by all United States residents. In 1964 they were small net purchasers although other residents of the United States continued to be substantial sellers. The overall net assets of the funds continued to decline during 1965 although at a considerably reduced rate. By the year's end, it is estimated that they had fallen to $71 million. There were further net capital withdrawals during 1965, but the amounts involved (an estimated $10 million) were only small.

STATEMENT 29. Selected Data relating to Canadian-based United States "Income Accumulating Funds", 1954-65

Item	1954	1955	1956	1957	1958	1959
	millions of Canadian dollars					
Year-end market value of net assets						
Canadian bonds and debentures	14	4	10	6	7	12
Canadian stocks	90	167	245	255	346	319
Sub-totals, long-term Canadian securities	104	171	255	261	353	331
Foreign securities	11	20	26	26	32	43
Other assets, net	15	31	17	14	10	10
Totals	**130**	**222**	**298**	**301**	**395**	**384**
Change	130	92	76	3	94	–11
Source of change						
Capital paid in – Cash, net	101	68	60	62	7	–10
Canadian securities	21	–	–	–	–	–
Transfers of domicile – Canadian securities	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Net income retained	1	4	7	9	9	9
Sub-totals	123	72	67	71	16	– 1
Capital appreciation, net[1]	7	20	9	–68	78	–10
Totals	**130**	**92**	**76**	**3**	**94**	**–11**
Estimated net purchases of Canadian stocks	44	57	69	78	13	–17

See footnotes on page 47.

STATEMENT 29. Selected Data relating to Canadian-based United States "Income Accumulating Funds", 1954-65 – Concluded

Item	1960	1961	1962	1963	1964	1965
	millions of Canadian dollars					
Year-end market value of net assets						
Canadian bonds and debentures	8	6	3	1	–	–
Canadian stocks	267	269	172	123	44	37
Sub-totals, long-term Canadian securities	275	275	175	124	44	37
Foreign securities	48	50	52	84	33	29
Other assets, net	6	14	29	13	5	5
Totals	**329**	**339**	**256**	**221**	**82**	**71**
Change	–55	10	–83	–35	–139	–11
Source of change						
Capital paid in – Cash, net	–31	–71	–56	–35	– 2	–10
Canadian securities	–	–	–	–	–	–
Transfers of domicile – Canadian securities	–	–	–	– 4	– 88	–
Other assets	–	–	–	– 6	– 57	–
Net income retained	9	8	7	2	–	–
Sub-totals	–22	–63	–49	–43	–147	–10
Capital appreciation, net[1]	–33	73	–34	8	8	– 1
Totals	**–55**	**10**	**–83**	**–35**	**–139**	**–11**
Estimated net purchases of Canadian stocks	–19	–71	–59	–51	4	– 6

[1] Realized and unrealized appreciation less distribution.

Note: These estimates are based in part on balance sheet data which do not correspond precisely with calendar periods.

Long-term Investment Abroad by the Government of Canada

Canadian government assistance abroad takes a variety of forms including official contributions, payments of the regular and special assessments to international agencies of which Canada is a member, loans to national governments, capital subscriptions to international investment agencies, and export credits provided by the government or guaranteed by it. Only the transactions which give rise to claims on non-residents are reflected in the capital account of the balance of payments while the contributions and assessments are among Canada's current payments. Another type of long-term investment abroad by the Government of Canada which appeared for the first time in 1964 was a substantial investment in medium-term non-marketable United States Government securities representing employment of part of the proceeds of receipts under the Columbia River Treaty.

Loans made by the Government of Canada to other national governments amounted to $10 million in 1963, $2 million in 1964 and $1 million in 1965. These outlays were all to sterling area countries. Those in the two earlier years represented advances made to India in connection with the purchase of aircraft while the advances in 1965, which were extended mainly in the fourth quarter, were practically all under the new development or "soft" loan program which complements the existing structure of Canada's foreign aid program. These are loans administered by the External Aid Office and can be for a period as long as 50 years. Normally there are 10 years of grace before the first repayment becomes due and no interest is payable except for an annual "service charge" of 0.75 per cent. Soft loans must be spent on Canadian goods and services and are designed to help finance projects for which commercial financing is unavailable. The program was initiated in November 1964 but no amounts were disbursed until 1965. Total commitments earmarked for specific projects under this development loan program up to the end of 1965 amounted to almost $100 million – about 95 per cent to Commonwealth countries with the remainder going to Latin American countries. In general, loans to Commonwealth countries have been negotiated directly on an intergovernmental basis while those to Latin America are handled through the Inter-American Development Bank.

Repayments to Canada on inter-governmental loans made in earlier years totalled $25 million in 1963 and $10 million in each of the years 1964 and 1965. These amounts were very much smaller than those which had occurred for some years previously; it will be recalled that in 1962 repayments aggregated $129 million which included accelerated repayments of principal amounting to $91 million from several countries which served to ease Canada's international financial position at that time. The accelerated repayments made in 1962 have had a long-term effect of reducing prematurely inflows of capital from this source.

The major repayments in 1963 were received from the United Kingdom with other amounts coming from India, Belgium and Ceylon. The 1964 and 1965 totals were down sharply from 1963 mainly because the United Kingdom availed itself of the waiver provisions applicable to the Canadian loan of 1946

and as a result there were no receipts comparable to the repayment of $18 million received in 1963. Most of the repayments in 1964 and 1965 were from India and Belgium.

Among other movements of official capital in long-term forms were subscriptions paid by Canada to the International Development Association amounting to $8 million in each of the years 1963 and 1964, and to $13 million in 1965. This institution was established to assist in economic development in developing countries whose ability to make good use of capital exceeds their capacity to service loans extended on conventional terms. By the end of 1965 Canada had paid into the Association about $54 million. Not all of these funds had been used by the Association and there were some offsetting liabilities to it mainly included in the item for Government of Canada demand liabilities.

By the end of 1965 the outstanding balance on the loans of nearly $2,500 million extended by Canada since the beginning of World War II amounted to $1,360 million, including $83 million deferred interest on the 1946 loan to the United Kingdom. The amount outstanding on that loan was $1,161 million and a further $199 million was outstanding from other overseas countries on post-war loans made under Part II of the Export Credits Insurance Act, special wheat, flour and aircraft loans, etc. and from the United Nations. There was in addition $32 million owing to Canada on intergovernmental loans extended following World War I. At the end of 1965 payments were overdue on the inter-governmental loans made in the interwar years and on the post-war loans to China. These inactive loans amounted to $80 million out of the total of $1,392 million outstanding.

Reference has already been made to the investment by the Government of Canada in medium-term non-marketable United States Government securities arising out of transactions related to the Columbia River Treaty. These complex transactions are described in a later section.

Apart from these inter-governmental loans there were large net outflows of capital from Canada arising from loans and advances under government programs related to the financing of Canadian exports – including both agricultural produce, especially to the Sino-Soviet bloc, and a wide range of capital equipment to developing countries, particularly those in Latin America and the Commonwealth.

Net long-term export credits extended by Canada directly or indirectly under guarantee or at risk of the Government of Canada, as measured for balance of payments purposes, amounted to $63 million, $72 million, $164 million and $187 million successively through the years from 1962 to 1965. While long-term under balance of payments conventions, i.e. extending for a period of more than one year, significant parts of these credits would, in commercial parlance, be regarded as medium-term.

The series which appear in Statement 30 cover all the long-term credits extended from Canada directly or indirectly at risk of the Government of Canada. Included therefore, are amounts receivable in Canada under the normal export insurance program authorized by Section 14 of the Export Credits Insurance Act, as well as receivables coming under Sections 21 and 21A which provide respectively for insurance of large amounts at risk of the Consolidated Revenue Fund and for long-term financing of export sales and related engineering and technical services. Other amounts which are included in the series cover exports on credit terms by other crown agencies and departments.

STATEMENT 30. Export Credits Extended from Canada Directly or Indirectly at Risk of the Government of Canada, 1962-65

Item	Yearly total	Quarter				Commodity		Geographical distribution			
		I	II	III	IV	Wheat[1]	Other	United States	Sterling area[2]	Other OECD Europe	Other countries
	millions of dollars										
Credits extended 1962	80	32	11	11	26	9	71	37	4	–	39
1963	107	3	21	46	37	60	47	–	5	–	102
1964	321	38	75	123	85	251	70	–	19	–	302
1965	252	59	74	76	43	175	77	22	19	4	207
Credits repaid 1962	17	1	8	2	6	7	10	4	–	1	12
1963	35	4	11	9	11	22	13	7	1	1	26
1964	157	7	23	77	50	136	21	9	2	–	146
1965	65	17	13	22	13	22	43	22	2	–	41
Net credits extended 1962	63	31	3	9	20	2	61	33	4	-1	27
1963	72	- 1	10	37	26	38	34	- 7	4	-1	76
1964	164	31	52	46	35	115	49	- 9	17	–	156
1965	187	42	61	54	30	153	34	–	17	4	166
Credit outstanding, end of 1965	592	...	...	...	...	360	232	45	42	4	501

[1] Includes associated flour contracts.
[2] United Kingdom nil.

Note: Credits extended represent an outflow of capital from Canada or a debit in the Capital account.

The details appearing in the statement show that credits extended under these facilities have reached very large totals. Credit in connection with the sale of wheat to countries of the Sino-Soviet bloc has formed an important part of the total. In general, terms of this financing tend to be reasonably short, ranging between 18 and 36 months. From time to time the series have been affected by the irregular nature of repayments when some of the importing countries have chosen to prepay in advance of the due date substantial portions of their indebtedness.

At the end of 1965, the total amount outstanding on account of export credits extended from Canada directly or indirectly at risk of the Government of Canada was placed at $592 million, of which $360 million related to wheat and assorted flour contracts. Further small amounts had been re-discounted abroad and had therefore involved no capital export from Canada although a contingent liability existed in respect of them.

The financing for these credits comes from a variety of sources. Substantial amounts of the long-term credits provided under Section 21A have been sold to the Export Finance Corporation of Canada, Ltd. and the net financing provided by crown agencies and departments was $270 million. The remaining $322 million was provided by the private sector.

About the figures –

CAPITAL MOVEMENTS IN LONG-TERM FORMS BETWEEN CANADA AND THE UNITED STATES AS MEASURED IN THE TWO COUNTRIES

Persons making use of balance of payments statistics compiled in Canada and in the United States frequently seek some explanation for apparent differences. In general the concepts used in measuring long-term capital movements in the statistics of the two countries are quite similar. In the notes which follow a brief description is given of some of the variations in treatment of specific types of transactions, and a few comments are made on the methods of collecting the statistics.

1. Direct Investment

The basic definitions of direct investment in the two countries are similar but the United States statistics show a higher level of direct investment in Canada than do the Canadian statistics. In general the United States statistics are intended to cover all investment by United States residents in controlled companies, while the Canadian statistics cover only transactions of a long-term character with principal owners. Listed below are some of the more important factors contributing to the differences in the two sets of statistics.

(a) The sale of new issues of securities of United States-controlled companies in Canada to unrelated United States residents are considered in the United States statistics as direct investment, but in the Canadian statistics as new security issues. A similar difference occurs in the case of retirements.

(b) In the United States statistics, receivables, payables, and other short-term items between United States-controlled companies in Canada and their parent companies are included in direct investment. In the Canadian series they are included in direct investment only if they are likely to remain outstanding for more than one year; otherwise they are included with short-term capital.

(c) There are undoubtedly some instances in which the character of ownership of specific companies (for example, whether or not they are non-resident controlled) is regarded differently in the balance of payments presentations of the two countries. In addition there are probably some differences in treatment in practice of transactions relating to secondary foreign organizations, such as overseas subsidiaries of Canadian subsidiaries of United States corporations.

(d) In the Canadian statistics transfers of capital in connection with the operations of United States-controlled insurance and finance companies usually appear in "other long-term capital movements" or in some instances in short-term capital movements. In the United States statistics such transfers are usually included with direct investment.

(e) In both countries the usual treatment of profits and losses of unincorporated Canadian branches of United States companies is to show an increase or reduction in the value of the direct investment in the Canadian branches, and an increase or reduction in investment income. In the case of profits and losses on branch operations of United States petroleum companies, however, the treatment is different. In the United States statistics these are treated like any other branch operations. In the Canadian statistics, on the other hand, profit and loss entries were not permitted to affect the figures until the individual companies reached an accumulated profit position. (This treatment was based on the view that the losses arose largely from write-offs for tax considerations in the United States.)

2. Security Transactions

Again the basic concepts employed in the two countries are similar but the treatments of some specific types of transactions are different. The problem of drawing the line between direct investment and new issues of securities has been mentioned above.

In Canada, information on new issues of Canadian securities sold to non-residents and payable in Canadian dollars as well as those payable in United States dollars is obtained on a current basis from investment dealers, chartered banks, various other confidential and public sources, and on a less frequent basis from insurance companies, published portfolios, and ultimately from many debtors. Information on trade in outstanding securities is obtained on a monthly basis from investment dealers (including foreign investment houses operating in Canada), chartered banks, members of the stock exchanges, and some investment funds and institutions. Estimates of retirements of non-resident holdings of Canadian securities are based on information available on the geographical distribution at the time of the original sale of each security adjusted by an estimate of trade in the outstanding issue during its lifetime. The Canadian statistics may miss some private sales of securities which are placed directly with United States investors by Canadian borrowers without the services of investment dealers operating in Canada. The Canadian statistics pick up only some of the transactions in outstanding securities which are handled for Canadian residents by United States dealers not operating in Canada.

The United States Treasury collects information from United States banks, brokers and dealers on purchases and sales of long-term securities by foreigners. These reports cover transactions in outstanding issues, new issues and redemptions. Data on new issues of securities are estimated independently from information obtained from the Securities Exchange Commission and from the market. Estimates of United States resident holdings of retiring foreign securities are based on the distribution of securities at time of issue. Trade in outstanding securities is a residual series obtained by deducting new issues and retirements from total purchases and sales and making some further adjustments for official transactions shown elsewhere. There may be some difficulty in identifying purchases by United States residents of new issues of Canadian-pay securities; such purchases therefore may be included with trade in outstanding issues. There seems to be one fairly important omission in the United States coverage of securities transactions: no information is received on the sales and purchases of securities handled directly by Canadian brokers and dealers for United States residents. On balance, it could probably be concluded that the Canadian statistics in this area are more complete than the United States statistics.

The Canadian statistics are published in considerable detail. A breakdown is given of transactions in Government of Canada direct and guaranteed securities, provincial, municipal, railway and other Canadian bonds and stocks, United States bonds and stocks, United Kingdom bonds and stocks, and other foreign bonds and stocks. The United States authorities collect data on trade in securities under five headings: United States Government bonds and notes, United States corporate and other stocks, foreign bonds, and foreign stocks. From these statistics it is not possible to segregate trade with Canadian residents in Canadian bonds and stocks from total trade with Canadian residents in all non-United States bonds and stocks.

There are two major types of security transactions which are treated differently in the two sets of statistics:

(a) In the Canadian statistics foreign branches and agencies of Canadian life insurance companies are treated as non-residents, and Canadian branches and agencies of foreign life insurance companies are treated as residents. In the United States statistics the definitions of residents and non-residents are understood to be comparable, but in practice it is very difficult to identify security transactions of United States' branches of Canadian life insurance companies. As a consequence the transactions of these branches may be included with those of their Canadian home offices and treated as trade with non-residents. There would be no comparable entry in the Canadian statistics.

(b) There is also a difference in the treatment of some Canadian incorporated investment funds which have been set up by United States interests to purchase Canadian and other foreign securities. In the Canadian statistics these funds are treated as residents of the United States. When they issue or redeem shares there is no entry in the Canadian balance of payments, but when they purchase Canadian securities in Canada the transactions are recorded as non-resident purchases of securities. In the United States statistics, on the other hand, these funds are treated as residents of Canada. When they issue shares to United States residents this transaction is included with sales of securities by foreigners, but when the fund then buys Canadian securities no entry is made in the United States balance of payments statistics. If a fund deals only in Canadian securities the difference in the statistical treatment in the two countries would be mainly one of timing, apart from the inclusion in the Canadian statistics of purchases of securities financed through the retention of investment income and capital profits. If a fund sells some of its Canadian security holdings to Canadian residents and buys European securities from European residents the Canadian statistics would show a capital outflow while the United States statistics would record no capital movement.

3. Other Long-term Capital Movements

Under this heading the Canadian statistics include such items as long-term bank loans, mortgage loans, stretch-out payments under uranium contracts, and transfers of funds by insurance companies. It is understood that transfers of funds by insurance companies are treated as direct investment in the United States statistics.

4. Summary

If transactions in long-term capital are considered in total, in order to get around the problems of drawing lines between direct and portfolio investment, direct investment and "other long-term capital", and within portfolio investment between new issues and trade in outstanding securities, there sometimes remain significant differences between the Canadian and United States statistics. The most important factors appear to be more comprehensive coverage of securities transactions in the Canadian data and the Canadian treatment as short-term of substantial flows recorded as long-term under the concepts used in the United States.

The Columbia River Treaty

Studies and negotiations between Canada and the United States in connection with the development of the hydro-electric power potential of the Columbia River extended over a period of twenty years. The Columbia River Treaty and Protocol signed by the two countries in 1964 embodied a unique and complex set of arrangements for the development of these waters, of which only the bare highlights can be given in these paragraphs. For further details the reader is referred to "The Columbia River Treaty and Protocol — A Presentation", which was issued in April 1964 by the Departments of External Affairs and of Northern Affairs and Natural Resources. (This publication is available from the Queen's Printer, Ottawa, Price $3.00, Catalogue No. E2-4564.) Special financial arrangements agreed between Canada and the United States in connection with the project were described by the Minister of Finance in some detail in the House of Commons on July 10, 1964.

Under the arrangements British Columbia undertook to build, within a nine-year period, storage projects in the Columbia River basin in Canada. These facilities will control a very large amount of water, part of which will be committed to produce power benefits downstream in the United States, which will be shared equally between the two countries as well as substantial benefits in and for Canada itself. Some of this storage will also be operated to provide flood control; and payments will be made to Canada for flood damage prevented in the United States. Canada sold its share of the first thirty years' production of downstream benefits in return for a lump sum payment on September 16, 1964 in the amount of $253,929,534 in United States

funds. Flood control payments to be made to Canada by the United States in the years 1968, 1969 and 1973 aggregate a further $64.4 million in United States funds.

Funds necessary for the purchase of downstream benefits were raised in the United States by the Columbia Storage Power Exchange, a non-profit organization of the power producers and users concerned, and paid to the Government of Canada in United States funds. The Government of Canada then paid equivalent Canadian funds to the Government of British Columbia, apart from some funds which British Columbia elected to receive in United States dollars in order to redeem outstanding debt. The United States funds remaining in the hands of the Minister of Finance were invested in medium-term non-marketable securities of the United States Government. As these securities mature it is expected that their proceeds will be taken into the Exchange Fund Account and employed in short-term United States Government securities in the normal way. The effect of the arrangement is to even out the flow of funds into Canada's holdings in the Exchange Fund Account, and to spread the impact of the transfer of so large a sum of money on the United States balance of payments over a longer period. The non-marketable securities acquired under the arrangement do not form a part of Canada's official holdings of foreign exchange. The Minister of Finance indicated however, that while there was no formal agreement, on the basis of discussions with the United States Treasury, he was confident that should need arise arrangements could be made to translate the securities into marketable securities.

As shown in Statement 31 all but $50,000,000 of the receipt of $253,929,534 in United States funds was invested in securities maturing from 1965 to 1971 inclusive. The remaining amount of $50,000,000 was in effect made available in United States funds to the Province of British Columbia. Canadian dollar equivalents of this amount and of the subsequent maturities of the securities acquired appear in item D11 as net receipts under the Columbia River Treaty arrangements.

STATEMENT 31. Columbia River Treaty Funds

Transactions	III Q 1964	IV Q 1965	Official holdings of medium term non-marketable United States Government securities n.i.e. December 30, 1965		
			Percentage	Maturity	Millions of United States dollars
	millions of Canadian dollars				
Receipts under Treaty	+274	–	4⅛	Nov. 1, 1966	30.0
			4¼	Nov. 1, 1967	30.0
			4¼	Nov. 1, 1968	30.0
			4¼	Nov. 1, 1969	30.0
			4¼	Nov. 1, 1970	30.0
Change in official holdings of medium-term non-marketable United States Government securities n.i.e. (increase, –)	–220	+32	4¼	Nov. 1, 1971	23.9
Net capital movement recorded in item D11	**+ 54**	**+32**		**Total**	**173.9**

Capital Movements in Short-term Forms

A net inflow of $30 million was recorded in 1963 from all capital movements in short-term forms, followed by an approximately equal net outflow of $33 million, in 1964. These relatively small annual totals were produced by large, but roughly comparable, quarterly movements in both directions. In 1965 the quarterly movements were mostly in the same direction and resulted in a record annual short-term net capital inflow of $527 million.

The volatility of short-term capital movements between Canada and other countries is also apparent from their geographical distribution, especially in 1964 and 1965. In 1963 net outflows of $14 million to the United States and $16 million to the United Kingdom were overshadowed by a $60 million net inflow from other countries. (The geographical distribution of these flows in 1963 is however affected, as noted elsewhere in this report, by the misallocation to the United States of certain movements with other countries.) The following year short-term transactions with the United States produced an inflow of $626 million, while there was a net outflow to the United Kingdom of $631 million, augmented by a $28 million outflow to other countries. In 1965 the balance of short-term transactions with the United States was again reversed and resulted in a net outflow of $508 million. There was an even larger swing of $1,180 million in transactions with the United Kingdom to produce a net inflow of $549 million while transactions with other countries also led to an exceptionally large net inflow of $486 million.

STATEMENT 32. Short-term Capital Flows, by Area, 1963-65

Item	All countries			United States			United Kingdom			Other countries		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965
	millions of dollars											
D 14	17	12	45	7	16	10	–	– 10	15	10	6	20
D 17	13	–45	482	–21	610	–518	–16	–621	534	50	–34	466
Totals	**30**	**–33**	**527**	**–14**	**626**	**–508**	**–16**	**–631**	**549**	**60**	**–28**	**486**

In each of the three years under review non-residents increased their total holdings of Canadian dollars and, in particular, their holdings of Canadian dollar deposits which aggregated about $570 million by the end of 1965. Residents of the United States, the United Kingdom and other countries held some $350 million, $70 million and $150 million, respectively. Government of Canada demand liabilities payable to non-residents increased by $1 million in 1963 and $2 million in 1965 to total somewhat more than $28 million, mainly in the form of interest-free demand notes issued to international investment agencies.

The participation by non-residents in the Canadian treasury bill market as shown in Statement 33 continued to decline throughout the period, for even though there were net sales to non-residents in 1965 for the first time since 1962, the volume of transactions was less than half the 1963 total. International investment agencies were the main non-resident investors in these instruments while other holders appeared to be small and scattered.

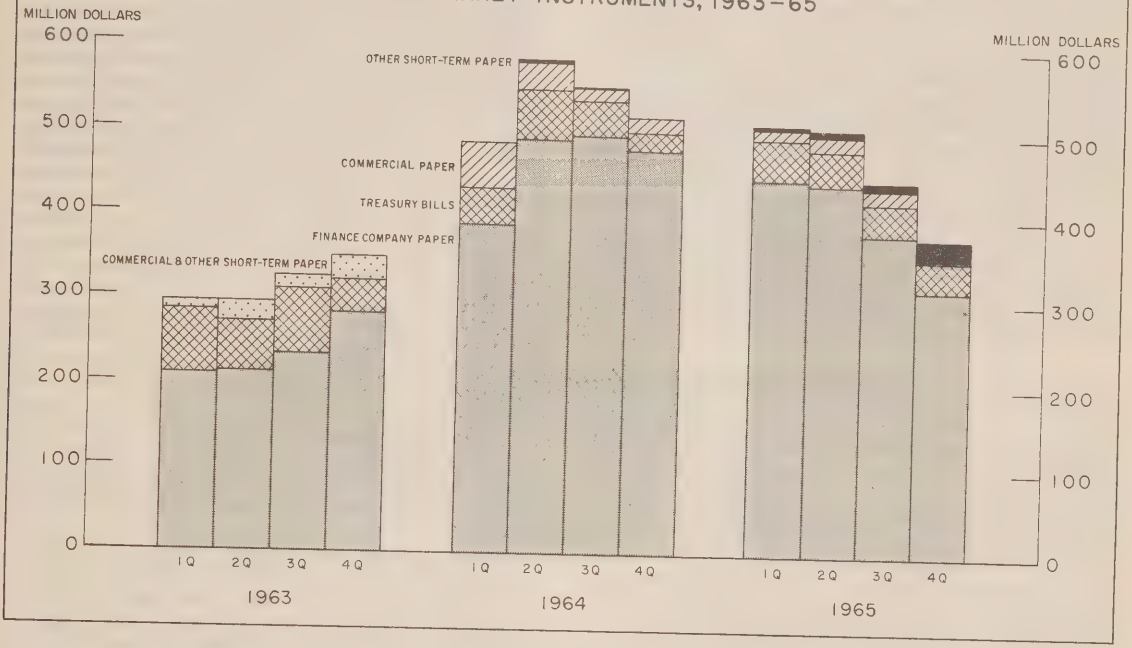
As shown by the accompanying bar chart the holdings by non-residents of Canadian short-term money market instruments throughout the period continued to be predominantly in Canadian finance company paper. The net inflow from the sale of these latter instruments was particularly large in the last quarter of 1963 and the first half of 1964 while there was a persistent decrease in United States holdings which began in the fourth quarter of 1964 and continued throughout 1965. In contrast residents of other foreign countries in the last three quarters of 1965 became significant holders of these instruments, accounting for one sixth of all non-resident holdings at the end of 1965. At December 1965 the $316 million of non-resident holdings accounted for just over one third of the total short-term paper issued by Canadian finance companies. The $478 million held at December 1964 represented over two fifths of the larger amount outstanding at that time.

Transactions in other finance company obligations of a short-term nature (which include borrowings from foreign banks and advances from parent companies) led, on balance, to inflows of $35 million, $52 million and $209 million in 1963, 1964 and 1965, respectively. An important factor in the considerably increased inflow recorded in 1965 was the reorganization of the financial structure of a finance company following its acquisition in 1965 by new interests in the United States. In addition there are, of course, other finance company transactions not identified separately which are included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all the international borrowing of these companies let to successive net inflows of about $200 million, $325 million and $125 million in the three years under review.

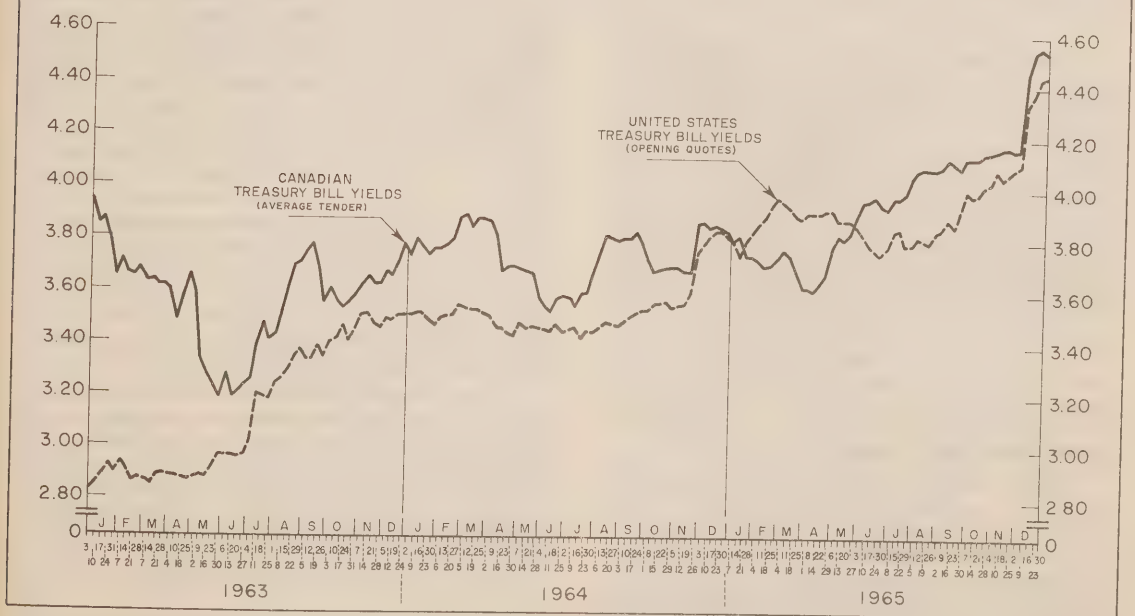
STATEMENT 33. Transactions in Canadian Treasury Bills between Canada and All Countries, 1963-65

Quarter	Sales			Repurchases and maturities			Net change in holdings			Holdings by non-residents at end of period		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1964	1964	1965
	millions of dollars											
I	72	52	55	63	48	28	9	4	27	75	43	50
II	61	63	33	78	49	43	–17	14	–10	58	57	40
III	112	58	47	94	74	49	18	–16	– 2	76	41	38
IV	67	36	18	104	54	21	–37	–18	– 3	39	23	35
Year	**312**	**209**	**153**	**339**	**225**	**141**	**–27**	**–16**	**12**	**39**	**23**	**35**

TOTAL NON-RESIDENT HOLDINGS OF CANADIAN SHORT-TERM MONEY MARKET INSTRUMENTS, 1963–65



YIELDS OF CANADIAN AND UNITED STATES THREE MONTH TREASURY BILLS, WEEKLY, 1963–65



International transactions in Canadian commercial paper (including bankers' acceptances) and other short-term paper (including notes of banks, mortgage loan companies and municipal and provincial governments) in total led to net outflows of $23 million and $11 million in 1963 and 1964 and a net inflow of $10 million in 1965. Total non-resident holdings declined abruptly to $12 million at the end of the first quarter of 1963 then reached a peak of $55 million at the end of the first quarter of 1964 and closed 1965 at $27 million. The gross volume of international transactions in these instruments fell substantially throughout the three-year period, with the decline being concentrated in the paper of manufacturing and commercial enterprises as the volume of transactions in both provincial guaranteed paper and bankers' acceptances developed and expanded rapidly in the latter part of 1965.

The existence of short-term interest rate differentials between the major financial centres of the world is, of course, a primary factor influencing international flows of short-term capital. Instruments negotiated in the money market vary as to term, currency, credit risk, etc., so do the character, requirements and relationships of lenders and borrowers. When considering these capital flows a wide variety of interest differentials could be appropriate; treasury bill yields are one such gauge for which published data are readily available. However, as previously noted, the volume of international transactions in Canadian treasury bills especially between Canada and the United States has declined in importance in recent years so that while the trends shown in treasury bill yields probably apply generally to other interest rates, these rates are not necessarily those at which the bulk of short-term funds move.

In 1963 yields on three-month Canadian treasury bills were at their highest in the early part of the year as they continued their descent from the very high level of 5.51 per cent per annum established on July 19, 1962. Yields trended downward from 3.94 per cent at the beginning of the year to 3.19 per cent in early June then climbed again to close the year at 3.78 per cent. The variation in yields on the weekly tenders for Canadian treasury bills was smaller in 1964 with a high of 3.90 per cent in March to a low of 3.53 per cent in June rising to 3.82 per cent at the end of the year. Yields declined in the first part of 1965 reaching a low of 3.61 per cent in April then climbed more or less steadily to the beginning of December when they jumped significantly in sympathy with the increase in the bank rate to reach a high of 4.56 per cent towards the end of December.

United States short-term interest rates as measured by the yields on United States treasury bills were, at 2.83 per cent, considerably below those prevalent in Canada at the beginning of 1963. As indicated by the accompanying chart, the disparity between the yields was largely eliminated by the end of 1963 and with minor fluctuations the yield differentials remained relatively small until December 1965.

Yields on Canadian and United States treasury bills as quoted in their respective countries are not strictly comparable mainly because Canadian bills are quoted on a true yield basis while United States bills are quoted as a yield on the par value.[5] If the yields are adjusted to the same quotation basis, the yield differential with forward exchange cover was some 50 basis points in favour of Canadian treasury bills at the beginning of 1963. The differential largely fluctuated in Canada's favour until June of 1965, when it was again some 50 basis points. A sharp swing then developed so that by September 1965 there was a covered yield differential in favour of United States treasury bills which rose to some 70 basis points by the end of the year. Protected interest rate differentials are theoretically the stimulus to movements of arbitrage capital which continues flowing until rising costs of exchange protection and falling yields eliminate any further inducement. In practice, however, when account is taken of the costs attendant on transactions and other factors, such differentials are often too narrow to motivate movements of arbitrage capital. At times investors choose to accept the risk of exchange rate fluctuation or may have requirements which do not involve repatriation of matured bills into domestic currency.

While yields on treasury bills provide some indication of what has been happening to short-term interest rates, the bulk of non-resident short-term funds are invested in other money market investments, particularly Canadian finance company paper. Yields on these instruments are, of course, normally above treasury bill yields. Events which had a particularly important effect on the availability and price of short-term funds moving into treasury bills, commercial and finance company paper, in the period under review, were measures taken by the United Kingdom authorities particularly in the autumn of 1964 to encourage non-residents to maintain their sterling balances, certain of the steps taken in the United States in February of 1965 to improve its balance of payments position, the default of a Canadian finance company in June of that year and the December 1965 rise in the bank rate both in Canada and abroad. In response to these and other factors interest rates paid by large finance companies for 3 to 6 month paper, which were about 4¼ per cent in January 1963 rose to 6 per cent in December 1965. Rates moved down to 3½ per cent in the early summer of 1963, edged up erractically to about 4¾ per cent in June of 1965 then jumped a further 1¼ percentage points by the end of the year.

Bank balances and other short-term funds held abroad by Canadian residents increased substantially in both 1963 and 1964 rising by $258 million and $528 million, respectively; with the decline of $138 million in 1965 these holdings totalled about $1.7 billion at the end of that year. A variety of factors influence these holdings. The current account balance and long-term capital movements, such as new Canadian issues sold abroad, would be significant

[5] For an explanation of the difference see the Technical Note pp. 1253-4 of the United States "Federal Reserve Bulletin" of October 1964.

determinants of these balances when they are employed temporarily in this fashion. The changing domestic and international interest rate structure, the balance of payments difficulties of the United Kingdom and the United States and the measures taken to counter them would also have an important if not paramount influence throughout a large part of this period. The Royal Commission on Banking and Finance referred in its Report (page 138) to the substantial foreign currency deposit business of the Canadian banks with residents of Canada, and has described the technique which has been developed under which holders of Canadian dollars may in effect acquire short-term foreign currency investments through the banking system without incurring exchange risk. Outflows for these "swapped" deposits were about $10 million in 1963 and $310 million in 1964. A reduction of these holdings in 1965 led to a net inflow of approximately $170 million.

All other transactions in short-term forms produced net inflows of $166 million, $246 million and $287 million in 1963, 1964 and 1965, respectively. This category reflects the change in net short-term banking and other loans to Canadian residents and accounts receivable and payable. In addition, it includes the balancing item representing the difference between direct measurements of the current and capital accounts.

About the figures –

BANK BALANCES AND OTHER SHORT-TERM FUNDS ABROAD[1]
(excluding Official Reserves)

For convenience of description this item may be divided into two parts, (1) foreign currency deposits of residents of Canada whether with banks in Canada or abroad, together with their holdings of foreign treasury bills, etc., and (2) the spot positions or net holdings in foreign currencies of the head offices and branches in Canada of the Chartered Banks (which are exclusive of the cover for deposit liabilities in foreign currencies).

A considerable part of the first component is reflected on questionnaires collected from some thousands of Canadian corporations, but the schedules do not, of course, cover all the resident holders of foreign currency. A more comprehensive figure of the change may be derived through the use of aggregative banking statistics where these are available. Use is made of the deposit liabilities in foreign currencies payable to residents of Canada at head offices and branches in Canada of Canadian Chartered Banks together with estimates of additional foreign currency held by residents with institutions directly outside the country. Among the supplementary sources employed in the latter estimates are the data reported by United States banks to the Treasury Department of that country covering their short-term liabilities in United States dollars to residents of Canada other than banks and official institutions. There are included additionally in the series, minor working balances of the Bank of Canada and Government of Canada in currencies other than United States dollars and sterling.

With respect to the net holdings of foreign currencies by the head offices and branches in Canada of the Chartered Banks, it should perhaps be noted that Canada has an extensive international banking business. The special foreign character of this business tends effectively to keep much of it separate from the Canadian economy. To the extent that foreign currency deposits are obtained from non-residents and employed directly outside Canada, this foreign currency business gives rise to no net capital movements to or from Canada.

Canadian global balance of payments statistics historically have been designed to exclude matching foreign banking assets and liabilities denominated in foreign currencies, whether held in Canada or abroad, on the grounds that the business is by its nature largely "extra Canadian" and has only limited direct significance for the Canadian economy itself. (Foreign currency operations of the Canadian banking system are treated somewhat similarly in the principal series of banking statistics in Canada.)

The following explanation of the treatment in Canadian balance of payments statistics of foreign currency claims of and on the Chartered Banks in Canada relates only to spot claims on the books of head offices and Canadian branches (without allowance for inner reserves).

Symbols

A = Foreign currency asset of a Canadian Chartered Bank

L = Foreign currency liability of a Canadian Chartered Bank

n = Non-resident debtor or creditor

r = Resident debtor or creditor

NFXA = Net foreign currency (spot) assets of a Canadian Chartered Bank.

$$\Sigma\,[A\,(n+r) - L\,(n+r)] = NFXA$$

Entries[2]

The appropriate **net** balance of payments entry is $\Delta\ (L_n - A_n)$; this is the entry conventionally used in most countries' balance of payments statements and attributes to the banking rather than the private sector the accumulation by residents of foreign currency positions through the banking system.

Canadian Chartered Banks have on their books in Canada a substantial volume of foreign currency claims both of and on residents. The behaviour of deposits in foreign currency belonging to residents of Canada is not generally influenced by whether they represent claims on Canadian or non-Canadian banks. Accordingly, residents' holdings of foreign currency deposits, whether with Canadian or foreign banks, have been included together as already noted. Similarly, foreign currency borrowing by Canadians, whether from Canadian or foreign banks, is included in the items for miscellaneous capital movements either in long-term (D 13) or in short-term (D 17) forms. Thus Canadian balance of payments statements include as capital movements

in item D17.1	$-\Delta\ (L_r + NFXA)$
in items D13.2 and D17.5	$\Delta\ A_r$
Total	$-\Delta\ (L_r + NFXA - A_r)$

The effect of this treatment is to arrive at an appropriate global entry as will be evident from the following reconciliation:

$$A_n - L_n + A_r - L_r = NFXA$$
$$L_n - A_n = -(L_r + NFXA - A_r)$$

[1] Revision of not on page 69, "The Canadian Balance of International Payments 1961 and 1962, and International Investment Position".

[2] The presentation in this section follows the balance of payments convention that increases in liabilities (or decreases in assets) are expressed as positive amounts.

The treatment followed does not, however, yield data appropriate for the regional distribution of each of the three components in the capital account, although a distribution by currency is possible. Until the end of 1963 no other data were available, and this currency distribution was used. (The result was sometimes to attribute to a specific country some transactions carried out in its currency with third countries. This difference in treatment affecting the bilateral statements occasionally led to observations on the basis of statistics compiled in other countries about capital "movements" to or from Canada which were not apparent in official Canadian statistics.)

Data newly available provide distributions since 1963 of the underlying claims on the basis of the residency of the creditor or debtor and have made possible a net bilateral adjustment in respect of the three component items as a group. This is brought into the accounts wholly through Item D17.1.

The new information on the foreign currency assets and liabilities of Chartered Banks in Canada, classified bu currency and by type and country of residence of bank customers, has been published in the Bank of Canada Statistical Summary monthly since August 1965. These balance sheet data yield the following changes in the foreign currency assets and liabilities in Canada of Chartered Banks after adjustment to eliminate changes in value resulting from variations in exchange rates. It should be noted that the changes may not correspond in sign with balance of payments conventions.

STATEMENT 34. Canadian Chartered Banks, 1964 - 65

Net transactions in foreign currency assets and liabilities of head offices and branches in Canada

Item	1964	1965	1965			
			I Q	II Q	III Q	IV Q
	millions of dollars					
Assets with residents of:						
United States	40	–207	–215	– 83	272	–181
Other countries	691	–441	–231	–323	14	99
Totals non-resident	**731**	**–648**	**–446**	**–406**	**286**	**– 82**
Canada (b)	198	276	100	71	60	45
Totals	**929**	**–372**	**–346**	**–335**	**346**	**– 37**
Liabilities with residents of:						
United States	328	–727	–327	–261	– 25	–114
Other countries	100	505	100	103	288	14
Totals non-resident	**428**	**–222**	**–227**	**–158**	**263**	**–100**
Canada (a)	532	–107	–167	–136	143	53
Totals	**960**	**–329**	**–394**	**–294**	**406**	**– 47**
Net assets with residents of:						
United States	–288	520	112	178	297	– 67
Other countries	591	–946	–331	–426	–274	85
Totals non-resident	**303**	**–426**	**–219**	**–248**	**23**	**18**
Canada	–334	383	267	207	– 83	– 8
Totals (a)	**– 31**	**– 43**	**48**	**– 41**	**– 60**	**10**

The above statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian chartered banks. As described above, the amounts identified as (a) are embodied within item D17.1 (e.g. this item in 1965 includes an inflow of $150 million, reflecting decreases of $107 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and of $43 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D13.2 and D17.5 (e.g. in 1965 as an aggregate inflow of $276 million).

The data newly available have not therefore led to any change in the conceptual framework of the global statement of capital movements. For the period since 1963 bilateral statements have however been based on the new data which identify the residency of banking claims as well as their currency which was the only basis of allocation earlier. The discontinuity in the series at the end of 1963 implied an accumulated overstatement of net inflows from the United States and the United Kingdom of the order of $200 million and $250 million respectively, and a corresponding understatement of inflows from other overseas countries.

Multilateral Settlements

Canada's transactions with countries other than the United States normally give rise to large receipts which together with the use of gold provide, in total, the means of financing Canada's deficit arising from all transactions with the United States (including those related to Canada's exchange reserves in the form of liquid claims on that country). From 1946 through 1963 these receipts aggregated about $8.6 billion. In only one of these years, 1959, was the traditional pattern reversed and net receipts of $158 million from all transactions with the United States were applied to an exceptionally large imbalance on current account with overseas countries. In the seventeen other years net receipts from overseas countries applied in the United States account ranged between $133 million (in the exceptional conditions prevailing in 1950) and $1,016 million (in the also unusual circumstances of 1952). Figures for the years after 1963 reflect improvements in the geographic classifications of foreign currency banking transactions of and through the Canadian banking system; these improvements revealed that the earlier series had reflected accumulated net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of $200 million. The series for net receipts from all transactions with countries other than the United States cited above are accordingly somewhat understated.

Statement 35 shows the composition of Canada's balance of payments identifying separately some key elements in transactions with the United States and with all other countries, and showing separately from the United States transactions in non-monetary and monetary gold which are, by convention, normally included under the United States. This statement shows that all transactions with countries other than the United States gave rise to net receipts of $27 million in 1964 and $1,499 million in 1965. In 1963, when however the bilateral distribution of banking transactions was subject to somewhat arbitrary conventions, the figure was $378 million. Apart from the sharp swings in the current account balance with these countries, which are discussed elsewhere, there were substantial changes in the pattern of capital transactions in short-term forms, largely related to Eurodollar operations, although changes in official holdings of foreign exchange and in Canada's net balance with the IMF were also significant.

With the United States current account deficits continued to rise. Capital transactions in long-term forms, in the circumstances, showed remarkable stability in total. Capital movements in short-term forms showed large swings reflecting in part the foreign currency banking operations of or through the Canadian banking system but also considerable shifts in Canadian money market and related transactions. The total balance settled by gold and exchange transfers from other parts of the world amounted to some $415 million in 1963 (subject to the qualification mentioned earlier), shifted exceptionally to a balance of $53 million in the opposite direction in 1964, and then reversed again to a massive imbalance of $1,502 million in 1965.

STATEMENT 35. Bilateral Statement of Multilateral Settlements in the Canadian Balance of International Payments, 1963 - 65

Item	United States[1]			Non-monetary and monetary gold			Other countries[2]			Totals		
	1963[3]	1964	1965	1963	1964	1965	1963[3]	1964	1965	1963	1964	1965
	millions of dollars											
Current account balance	−1,302	−1,780	−2,050	154	145	138	627	1,211	829	−521	−424	−1,083
Capital transactions in:												
Long-term forms	843	1,013	964	—	—	—	−206	−193	−251	637	820	713
Short-term forms	− 14	626	− 508	—	—	—	44	−659	1,035	30	− 33	527
Sub-totals	829	1,639	456	—	—	—	−162	−852	784	667	787	1,240
Comprising:												
Foreign currency banking transactions through the Canadian banking system	..	*287*	*− 519*	—	—	—	..	*−590*	*945*	..	*−303*	*426*
Other capital flows	..	*1,352*	*975*	—	—	—	..	*−262*	*−161*	..	*1,090*	*814*
Increase (−) in official holdings of gold, foreign exchange and net balance with IMF	58	194	92	−117	−225	−135	− 87	−332	−114	−146	−363	−157
Total balance settled by exchange transfers	**− 415**	**53**	**−1,502**	**37**	**− 80**	**3**	**378**	**27**	**1,499**	—	—	—

[1] Excluding gold production available for export and changes in official holdings of gold which are attributed conventionally, elsewhere in this report, to the account with the United States.
[2] Including international financial agencies.
[3] There is a discontinuity at the end of 1963 in the allocation bilaterally of capital movements in short-term forms implying accumulated earlier net overstatements of inflows from the United States and corresponding net understatements of inflows from the rest of the world of the order of $200 million.

Official Holdings of Gold and Foreign Exchange and Canada's Balance with the IMF

Movements in a country's official monetary assets normally provide the principal element in the temporary adjustment of its overall balance of payments position. This is particularly the case under conditions where only small variations about a fixed exchange parity are permitted and the fiscal and monetary measures at the disposition of the authorities may be longer run in their effect and may at times conflict with domestic objectives.

The traditional monetary assets available in the form of official holdings of gold and foreign exchange have been supplemented in the postwar period by the creation of a variety of other facilities. Among these is the International Monetary Fund established at the end of World War II, whose resources have been augmented by increases in quotas and by the adoption of the General Arrangements to Borrow. And in more recent years a considerable network of reciprocal credit arrangements has been developed between the world's major central banks. Some references to these arrangements insofar as they have affected Canada will be given later.

The variations in Canada's official monetary assets which are described below reflect the balance of all the transactions and influences described in the earlier sections of this report and of the interaction between them. In the comments which follow, emphasis is given to the specific monetary transactions not already described.

It should be noted that the figures used throughout this section are expressed in terms of United States funds unless otherwise specified.

Reference was made earlier to the network of reciprocal credit facilities developed by the world's major central banks. Canada has on occasion been recipient or giver of assistance through these arrangements. Sometimes transactions have been reversed within a statistical accounting period and there have been no discernible statistical effects. But the existence of these facilities has played an important role in international liquidity and monetary stability.

It will be recalled that in 1962 support for the Canadian dollar included the provision of central bank assistance from the United States and the United Kingdom as well as offers from other countries. A further example of the use of these facilities occurred in November 1963, at the time of the pressure on the United States dollar which developed following the assassination of President Kennedy. The Federal Reserve Bank of New York drew various currencies including Canadian dollars equivalent to U.S. $20 million under its swap agreement with the Bank of Canada. (This swap was repaid in mid-December.)

The severe exchange crisis which developed in the United Kingdom in the latter half of 1964 was the occasion for further international co-operation of this kind. Massive lines of credit were made available to the Bank of England by a group of central banks and the United Kingdom made substantial drawings from the International Monetary Fund which involved, inter alia, the Fund's utilizing, for the first time, its authority to borrow from member countries including Canada under the General Arrangements to Borrow.

The bilateral statistics of Canada's official holdings of gold and foreign exchange shown in this report reflect the Bank of Canada's participation in lines of short-term credit of $1,000 million and $3,000 million which were extended to the Bank of England in September and December, respectively, by a consortium of central banks. The Bank of Canada's share of the first credit line amounting to $50 million had been drawn on in full by the end of November and repaid by the end of December. Its $200 million share of the second credit facility was drawn on to the extent of $50 million at the year-end. These transactions were reversed by mid-1965 when the United Kingdom used drawings from the International Monetary Fund to repay central bank assistance.

STATEMENT 36. Exchange Holdings and IMF Balance, 1963 - 65

End of period	Official holdings of gold and U.S. dollars	Net balance with International Monetary Fund
	millions of dollars	
1963 I Q	2,600	–138
II Q	2,692	–138
III Q	2,568	– 58
IV Q	2,595	– 58
1964 I Q	2,466	20
II Q	2,534	25
III Q	2,625	80
IV Q	2,674	197
1965 I Q	2,554	240
II Q	2,480	327
III Q	2,614	403
IV Q	2,665	353

STATEMENT 37. Canada's Account with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF[1]
	Transactions		Total assets	Transactions				Total liabilities	
	Subscriptions (Quota)	Loans (GAB)		Subscriptions and loans	Net drawings of foreign currencies by Canada	Net drawings (–) of Canadian dollars by other countries	Sales of Canadian dollars to IMF for gold		
	millions of United States dollars								
1947-61	550.0		550.0	412.5		– 99.6	25.0	337.9	212.1
1962			550.0		300.0	50.3		688.2	–138.2
1963			550.0		– 79.7			608.5	– 58.5
1964		15.0	565.0	15.0	–166.0	– 99.0	9.0	367.5	197.5
1965		35.0	600.0	35.0		–183.4	27.5	246.6	353.4
1963 III Q			550.0		– 79.7			608.5	– 58.5
1964 I Q			550.0		– 58.8	– 20.0		529.7	20.3
II Q			550.0			– 5.0		524.7	25.3
III Q			550.0		– 50.0	– 5.0		469.7	80.3
IV Q		15.0	565.0	15.0	– 57.2	– 69.0	9.0	367.5	197.5
1965 I Q			565.0			– 42.5		325.0	240.0
II Q		35.0	600.0	35.0		–114.0	27.5	273.5	326.5
III Q			600.0			– 76.0		197.5	402.5
IV Q			600.0			49.1		246.6	353.4

[1] This is a cumulative measure of the net resources provided by Canada to the IMF. The Canadian dollar equivalent of the change appears as item H 2 in the balance of payments statement. Canada's net balance with the IMF, when positive, represents the so-called "gold tranche position" plus borrowing under the General Arrangements to Borrow (GAB). This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of the Quota.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with the IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Canada's external reserves, which suffered heavy losses during the severe exchange crisis in the early summer of 1962 had substantially recovered by the end of the third quarter and by the year-end were actually $155 million (in Canadian dollar terms) higher than the year-end level for 1961. Official holdings of gold and United States funds stood at $2,539.4 million, and Canada had a net debtor position[6] of $138.2 million with the International Monetary Fund.

By the end of 1963 official holdings had risen by $60 million and Canada's net position with the International Monetary Fund by $86 million (both expressed in Canadian funds). In total, therefore, external reserves showed a smaller increase in 1963 than in either 1961 or 1962. When the Interest Equalization Tax proposal was introduced into the United States Congress in mid-July Canada's official holdings of gold and United States dollars, already reduced by the partial repayment (of $80 million) of the 1962 IMF drawings, incurred heavy losses for a short period as uncertainty seized Canada's financial markets before the announcement that Canadian new issues were to be exempted. Between the end of June and the end of July, official holdings dropped from $2,692 million to $2,501 million. Official holdings, however, were dramatically boosted in mid-September when exceptionally large contracts for the sale of wheat and flour to the Soviet Union were announced, and by the end of 1963 were $94 million higher than the July figure.

By the end of 1964 official holdings of gold and United States funds increased by a further $79 million to $2,674 million, but, even so, remained somewhat lower than the June 1963 level. Canada's net position with the International Monetary Fund improved by $277 million to the end of 1964 when her so-called "gold tranche position" together with loans made under the General Arrangements to Borrow amounted to $197.5 million.[7] During the year Canada made repayments (for technical reasons, mainly in Deutsche marks, Netherlands guilders and French francs) to the International Monetary Fund of $166.0 million. Other countries made net drawings of Canadian dollars equivalent to U.S. $300 million.

[6] This represents the net resources made available to Canada by the IMF and reflects the extent to which the Fund's holdings of Canadian dollars exceeds Canada's quota. (In addition Canada had a further obligation to restore its gold tranche position to $137.5 million.)

[7] This represents the net resources made available by Canada to the IMF, and may be drawn virtually automatically on statement of balance of payments need although Canada would then be under an obligation to restore the figure to 25 per cent of the Canadian quota.

By the end of October, therefore, Canada had fulfilled her obligation to the IMF of restoring her "gold tranche position" to 25 per cent of her quota of $550 millions. In December, Canada's position was increased as a result of assistance extended to the United Kingdom under the auspices of the International Monetary Fund. In December the United Kingdom, following severe exchange losses, made a drawing of $1,000 million from the IMF including the equivalent of $69 million in Canadian funds. The Fund simultaneously purchased from Canada $9 million of Canadian funds against gold. In conjunction with several other countries, Canada increased the Fund's resources by making available to it under the General Arrangements to Borrow, $15 million in Canadian funds. The balance of $45 million represented a drawing down of the IMF's Canadian dollar holdings. On balance these transactions added a further $60 million to Canada's net balance with the the Fund. These transactions had little effect on Canada's official holdings of sterling as these are normally limited to working balance.

Although over 1965 official holdings of gold and foreign exchange fell slightly, the balance with International Monetary Fund rose by $168 million and Canada's net international monetary assets increased on balance by $157 million (both figures in Canadian dollar terms).

Official holdings of gold and United States funds, at $2,665 million at the end of the year 1965 were $9 million lower than at the beginning. Official holdings of sterling continued to be limited to working balances.

Canada's "gold tranche position" with the International Monetary Fund together with loans made under the General Arrangements to Borrow amounted to $353.4 million at the end of 1965, an increase of $155.9 million during the year. Contributing to this change were drawings of Canadian dollars by other countries totalling $290.5 million and their repurchases with Canadian currency of the equivalent of $107.1 million of their own currencies. The Fund also acquired Canadian dollars equivalent to $27.5 million and $35 million from gold sales to Canada under the General Arrangements to Borrow, respectively. These figures indicate a much greater volume of transactions with the Fund than in any earlier year, although a significant part represented technical transactions of an offsetting nature. In total, there were 47 transactions in Canadian dollars in 1965 including a total of 13 drawings by 8 separate countries and 32 repurchases by 15 countries. In 1964 there were 13 transactions including repurchases by Canada in 5 currencies, and drawings of Canadian dollars by 3 countries.

The largest transaction in 1965 occurred in May when the United Kingdom made a drawing of $1,400 million from the Fund. This included the United States dollar equivalent of $107.5 million in Canadian dollars. The Fund replenished its holdings of Canadian dollars by the sale to Canada of $27.5 million of gold and by borrowing $35 million from Canada under the General Arrangements to Borrow. The net effect was to increase Canada's balance with the IMF by $80 million.

During 1965 the United States purchased from the Fund Canadian dollars equivalent to U.S. $85 million. These drawings were of a technical nature; the United States sold the Canadian dollars thus acquired for United States funds to other members wishing to make repayments to the Fund. Since early in 1964 the Fund's holdings of United States dollars have exceeded 75 per cent of that country's quota in the Fund, and under the Articles of Agreement other members have been precluded from making repayments to the Fund in United States dollars. The effect of these technical transactions is cancelled as far as Canada is concerned as repayments to the Fund by other countries offset the drawings by the United States.

SECTION 2

CANADA'S INTERNATIONAL INVESTMENT POSITION

GENERAL REVIEW

Estimates of the various external assets and liabilities relating to the nation's international investment position are presented in Tables V to XVI at the end of this report and appear in summary form in Statements 50 to 52. The difference between the assets and liabilities is described as the Canadian balance of international indebtedness.[1] This balance arises from the amount by which foreign investments in Canada and other kinds of liabilities abroad exceed external assets owned by Canadians.

It might be appropriate to classify the components of this aspect of Canada's international economic and financial relationships in a variety of ways. There could be special interest in distinguishing long-term and short-term components, or components providing for contractual repayment, or those carrying service obligations in foreign currency at a predetermined rate; or in the range of yields (immediate or accrued) attaching to their term and liquidity; or in their division between the private and public sectors. Each of these might have meaning in the context of a particular study. While it is not possible to compile all the components of Canada's international investment position in such a way as to permit precise classifications on all these bases, a great many combinations to meet particular purposes are made possible by the variety of detail included in Tables V to XVI and in some of the statements in this section.

Canada's balance of indebtedness rose by 4 per cent or $0.8 billion to $20.1 billion in 1964. With the exception of 1963 when the balance moved up by $0.7 billion to $19.3 billion this was the smallest increase recorded for any year since 1950. The net indebtedness of Canada to investors in other countries has shown a persistent growth from its post-war low of $4.0 billion in 1949. The principal factors contributing to the growth of this indebtedness are Canada's current account deficit and the net balance of earnings accruing but not paid on foreign investments in Canada less those on Canadian investments abroad. Among the factors contributing to the more moderate rises in 1963 and 1964 were sharply decreased inflows of direct investment capital as well as a significant growth in the flow of Canadian direct investment abroad and an increase in the volume of earnings retained abroad by Canadians. However, in 1963 and 1964 income of non-residents reinvested in Canada increased sharply and there were significant increases in the net inflow of portfolio capital.

STATEMENT 50. Canada's Balance of International Indebtedness, Selected Year Ends, 1926 - 64

Item	1926	1930	1939	1945	1949	1958	1959	1960	1961	1962	1963	1964
	billions of dollars											
Gross liabilities to other countries	6.4	8.0	7.4	8.2	9.3	21.5	23.8	25.6	27.3	28.8	30.4	32.8
Gross external assets	1.3	1.5	1.9	4.0	5.3	8.2	8.5	9.0	9.7	10.2	11.1	12.7
Net indebtedness	**5.1**	**6.5**	**5.5**	**4.2**	**4.0**	**13.3**	**15.3**	**16.6**	**17.6**	**18.6**	**19.3**	**20.1**

Note: For details see Table V. As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

It will be noted that the 1964 figures for foreign direct and short-term investment in Canada incorporate several major changes affecting the continuity of the international investment position series. A detailed description of these changes is given in the note "*About the figures*" see p. 65.

The major contributor to the increased balance of indebtedness in both the year and the decade has been the expansion in foreign long-term investments in Canada. These have been rising over a long period, being a prominent source of the financing of investment in Canada. Their value totalled $27.4 billion at the end of 1964, up from $26.1 billion a year earlier and $7.1 billion at the beginning of the post-war period. The rates of increase of about 5 per cent in both 1963 and 1964 were less than in some earlier periods. The largest parts of the increases in the value of this group of investments have come from inflows of capital to Canada which are reflected in the capital account of the balance of payments. In addition, other significant parts of the growth have originated in the retention in Canada of parts of the earnings on investments accruing to non-residents.

[1] The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

STATEMENT 51. Value of Non-resident Owned Investments in Canada, Selected Year Ends, 1900 - 64

Owned by residents of	1900[1]	1914[1]	1918[1]	1926	1930	1939	1945	1961	1962	1963	1964
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	18,001	19,155	20,479	21,443*
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	3,381	3,399	3,331	3,463
Other countries	14	178	177	170	188	286	352	2,224	2,335	2,324	2,448
Total book value	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**6,913**	**7,092**	**23,606**	**24,889**	**26,134**	**27,354***

[1] Privately estimated; for sources see Table XII.

A major part of the recent increases has been due to the expansion in direct investments in business enterprises which are controlled abroad. Totalling $15.9 billion these made up nearly 60 per cent of the 1964 total. However, in 1963 and 1964 direct investments grew rather less rapidly than in earlier years while portfolio investments grew considerably more rapidly. The increases in direct investments were distributed among primary and secondary industries with gains in manufacturing exceeding those in the petroleum and mining industries. There were also sizable rises in merchandising and "other enterprises", but utilities other than pipelines remained practically unchanged. There was a large gain in non-resident holdings of government and municipal bonds, mainly as a result of sales of new issues to non-residents. In the case of other portfolio investments the increase was small with miscellaneous investments held mainly through intermediaries recording a small decline.

Investments owned in the United States, which rose from $20.5 billion in 1963 to $21.4 billion in 1964, accounted for most of the increase in the total. United States holdings of Canadian government and municipal bonds, which amounted to $4.3 billion at the end of 1964, were the main source of this rise, but there were also substantial gains in direct investment, which had a book value of $12.9 billion at the end of 1964, other portfolio holdings and miscellaneous investments. Investments owned in the United Kingdom in 1964 rose to a total of $3.5 billion, while investments owned in other countries increased by about the same amount to a total of $2.4 billion.

STATEMENT 52. Value of United States Investments in Canada, Selected Year Ends, 1926 - 64

Classification	1926	1930	1945	1949	1959	1960	1961	1962	1963	1964
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	9,912	10,549	11,284	12,006	12,754	12,901*
Government and municipal bonds	909	1,205	1,450	1,534	2,764	2,903	3,049	3,387	3,869	4,336
Other portfolio investments	799	1,368	1,106	1,107	2,242	2,349	2,562	2,726	2,829	2,958
Income accumulating investment funds	—	—	—	—	321	264	266	164	123	42
Miscellaneous investments	85	94	130	170	587	653	840	872	904	1,206
Total book value	**3,196**	**4,660**	**4,990**	**5,906**	**15,826**	**16,718**	**18,001**	**19,155**	**20,479**	**21,443***

Other liabilities to non-residents brought Canada's total external liabilities at the end of 1964 to $32.8 billion. Canadian long-term investments abroad totalled about $7.3 billion (about $1.6 billion of them being directly offset by items included among other liabilities to cover the equity in them of non-residents). They included $5.3 billion of private direct and portfolio investments abroad and $1.5 billion of Government of Canada credits. To the total of long-term investments must be added other short-term assets abroad, including Canada's official holdings of gold and foreign exchange, private and banking holdings of foreign funds, and accounts receivable, bringing gross assets to $12.7 billion.

About the figures –

FOREIGN DIRECT AND SHORT-TERM INVESTMENT IN CANADA, 1964 – DISCONTINUITIES

The 1964 data on Canada's international investment position incorporate several major changes affecting the continuity of the series.

1. Following a re-appraisal of the statistics for sales finance and consumer loan companies, some $450 million of their inter-company and other liabilities previously recorded as "Other long-term indebtedness" was reclassified in the data for the end of 1964 as "Short-term payables n.i.e." This brings the figure for the short-term liabilities of Canadian finance companies to non-residents at that time to about $875 million. This treatment conforms with that used in measuring flows in the capital account of the balance of payments.

The classification of intercorporate liabilities involves considerable practical difficulties. The distinction between long and short-term capital used in Canadian data is based on probable behaviour rather than strict form. Respondents are asked to classify as long-term those claims which are intended or likely to remain outstanding for more than one year from the date incurred. This concept has proved more meaningful than adherence to the strict term of claims because demand obligations or open account claims are frequently applied in parent company-subsidiary accounting to capital having an essentially long-term function. In general, therefore, the definitions adopted approximate the "normal" capital employed. In the finance field where substantial and continuing roll-over of short-term debt is typical, this generalization is less valid, but the sources of financing, as has frequently been demonstrated, may be highly variable. Short-term claims and changes in them which are excluded from direct or other long-term investment under these definitions are included respectively in other categories of the investment position and in the "Other capital movements" group of transactions.

2. The enterprises covered in the surveys of international investment are identified from a variety of sources, but there is inevitably some lag in the process of establishing a list of Canadian corporations in which there is foreign ownership. This has not affected estimates of direct investment capital flows of Canada as the practice has been followed of including an allowance for current under-coverage. Reports under the "Corporations and Labour Unions Returns Act" for 1962 have confirmed the validity of these earlier allowances, and the 1964 investment position data reflect the addition of about 400 of such companies. As shown in Statement 53 the book value of foreign investment involved in these adjustments at the end of 1964 approximated $170 million.

STATEMENT 53. Coverage Adjustment, End of 1964

Item	Book value of investment owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Direct investment	68	22	68	158[1]
Portfolio investment	2	3	6	11
Total investment	**70**	**25**	**74**	**169**

[1] Includes approximately $34 million and $44 million of investment in real estate companies and other finance companies respectively.

The net effect of these two groups of adjustments on the series for foreign long-term investment in Canada at the end of 1964 was a reduction of about $280 million, reflecting a reduction of about $380 million in investments of United States residents, and increases of about $25 million and $75 million in investments of residents of the United Kingdom and other countries respectively.

3. Higher than normal changes in the investment position also occurred from the transfer of ownership and control of several real estate companies between the United States, United Kingdom and other countries in 1964. Changes in classification of this sort are quite common and, in some instances, a comparatively small change of ownership of a marginal nature is sufficient to cause a major shift in the classification of investment between the direct and portfolio categories and between countries of control.

Canadian Long-term Investment Abroad

Canadian direct investment abroad has continued to rise reflecting capital outflows and undistributed earnings. Details by area and industry at the end of 1964 and some earlier years appear in Statements 54 to 56, while the following section of this report discusses the underlying ownership and control of these investments by Canadians and non-residents.

The total book value of Canadian direct investment in branches, subsidiaries and controlled companies amounted to $3,356 million at the end of 1964, having more than doubled in the preceding

decade. A part of this growth reflected the rising value of foreign currencies in terms of Canadian funds.

Slightly more than 60 per cent of these investments at the end of 1964 was in the United States and the remainder was divided about equally between the United Kingdom, other commonwealth countries, and the rest of the world. Investments overseas have been growing rapidly and the percentage in the United States has fallen from more than 75 per cent a decade earlier.

A large number of Canadian corporations and other persons have direct investments outside Canada, but the bulk of the value is represented by a relatively few large corporations. In 1963 some 13 Canadian enterprises had direct investments outside Canada aggregating $50 million or more, accounting for $2,197 million, or 70 per cent of the total. A further 8 enterprises whose direct investments outside Canada ranged between $20 million and $50 million accounted for $224 million or 7 per cent of the total. The group of enterprises having direct investments outside Canada with a book value between $5 million and $20 million numbered 38 and accounted for $358 million or 12 per cent of the total. Thus 59 enterprises with direct investments outside Canada of $5 million or over accounted for $2,779 million or 89 per cent of the total. The remaining direct investments abroad, those by enterprises whose aggregate investments outside Canada had a value of under $5 million, totalled $346 million.

Some measure of the wide dispersion of these investments will be indicated by the fact that the Canadian data for 1963 include investments aggregating $5 million or more in 32 countries.

The 59 enterprises having direct investments outside Canada of $5 million or more included about 18 which involve a continuing supply of basic materials or parts from Canada, representing by value about one third of the group. The remaining group of 41 enterprises included 7 in the utility field, representing some 15 per cent by value of the total group.

STATEMENT 54. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends, 1949-64

Area	1949	1954	1958	1959	1960	1961	1962	1963	1964
	millions of dollars								
United States	721	1,231	1,440	1,498	1,632	1,756	1,823	1,965	2,025
United Kingdom	59	119	200	235	257	288	344	392	457
Latin America[1]	47	77	137	161	158	154	144	160	167
Other America[2]	25	55	155	168	173	177	200	234	255
Africa	20	48	64	65	68	44	45	59	65
European Economic Community (Common Market)	19	34	62	41	45	56	64	87	112
Other Europe				36	45	35	49	62	79
Australasia	25	40	56	65	71	74	104	114	141
Asia	10	15	35	26	32	44	48	52	55
Totals	**926**	**1,619**	**2,149**	**2,295**	**2,481**	**2,628**	**2,821**	**3,125**	**3,356**

[1] 20 republics and Puerto Rico.
[2] Includes sterling area countries and French and Dutch possessions.

Note: For industrial distribution see Statement 56 and Table VII.

STATEMENT 55. Canadian Direct Investment in European Economic Community (Common Market), Year Ends, 1959-64

Country	1959	1960	1961	1962	1963	1964
	millions of dollars					
Belgium and Luxembourg	..	2	1	10	15	13
France	..	24	27	17	22	31
Italy	..	8	11	10	18	24
Netherlands	..	1	2	7	8	13
West Germany	..	10	15	20	24	31
Totals	**41**	**45**	**56**	**64**	**87**	**112**

STATEMENT 56. Canadian Direct Investment Abroad, Industrial Detail, Year Ends, 1961 - 64

Classification	United States				United Kingdom				Other Commonwealth countries			
	1961	1962	1963	1964	1961	1962	1963	1964	1961	1962	1963	1964
	millions of dollars											
Railways	278	282	279	273	—	—	—	—	—	—	—	—
Other utilities	142	149	160	151	12	9	9	8	15	16	17	21
Industrial and commercial	1,018	1,092	1,108	1,158	271	327	367	432	95	132	149	186
Mining	51	33	41	36	—	—	—	—	145	161	162	160
Petroleum[1]	189	192	264	261	—	—	—	1	—	1	1	9
Financial	37	44	90	115	2	2	11	10	4	6	10	11
Other	41	31	23	31	3	6	5	6	20	20	38	39
Totals	**1,756**	**1,823**	**1,965**	**2,025**	**288**	**344**	**392**	**457**	**279**	**336**	**377**	**426**

Classification	Other countries				Total			
	1961	1962	1963	1964	1961	1962	1963	1964
	millions of dollars							
Railways	—	—	—	—	278	282	279	273
Other utilities	57	19	34	36	226	193	220	216
Industrial and commercial	182	218	268	311	1,566	1,769	1,892	2,087
Mining	47	63	71	82	243	257	274	278
Petroleum[1]	14	13	14	13	203	206	279	284
Financial	2	3	2	2	45	55	113	138
Other	3	2	2	4	67	59	68	80
Totals	**305**	**318**	**391**	**448**	**2,628**	**2,821**	**3,125**	**3,356**

[1] Excludes pipelines which account for most of "Other utilities" in the United States.

Canadian capital invested abroad in other long-term forms is shown in Tables V and VII.

Portfolio holdings of foreign securities by Canadians are estimated to have totalled more than $1.9 billion at the end of 1964. Holdings of bonds amounted to about $0.3 billion and holdings of stocks to $1.6 billion. A significant proportion of the $1.3 billion holdings of United States stocks[2] appears to have represented investment by Canadian financial intermediaries. At the end of 1964 holdings of foreign stocks by trusteed pension funds amounted to $133 million (book value) or $170 million (market value) while holdings by mutual funds[3] amounted to $186 million (cost price) or $236 million (market value). It seems probable that the bulk of these holdings consisted of United States stocks.

Government of Canada credits to other governments and to the United Nations amounted to $1,517 million at the end of 1964. The two largest components were the balance of $1,059 million (including deferred interest) on the 1946 loan to the United Kingdom, and $219 million representing proceeds of Columbia River Treaty receipts employed in medium-term non-marketable United States Government securities.

Among other Canadian long-term investments abroad were Canada's subscriptions to the international investment agencies (the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation) aggregating about $0.1 billion, and miscellaneous investments of $0.4 billion. On balance this represented exports of agricultural and industrial products directly or indirectly at risk of the Government of Canada, including somewhat more than $0.1 billion financed directly by the Government or its agencies. Other long-term claims on non-residents included such items as uninsured export credits, real estate, estates and trusts, bank loans, and equity in international unions, totalling a further $0.1 billion, but there has also been included in this group of items, as a negative component, an amount of roughly corresponding magnitude representing the reserve against inactive credits of the Government of Canada.

[2] An extended note on Canadian portfolio holdings of stocks of United States corporations was provided in "The Canadian Balance of International Payments 1961 and 1962 and International Investment Position".

[3] For further information about the assets of trusteed pension funds and mutual funds respectively see "Trusteed Pension Plans, Financial Statistics" (DBS Catalogue No. 74-201, Annual) and "Business Financial Statistics Balance Sheets, Selected Financial Institutions" (DBS Catalogue No. 61-006, Quarterly).

Equity of Non-residents in Canadian Assets Abroad

Non-residents have an important equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.[4] This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in Statement 57. The total capital at the disposition of Canadian direct investment companies abroad is larger than is indicated by the value of Canadian direct investments abroad which reflects only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

During the ten-year period from 1954 to 1964 the book value of Canadian direct investment abroad increased by $1,737 million to $3,356 million. Direct investment by foreign-controlled Canadian enterprises accounted for 56 per cent of this growth and the equity of foreign residents through their investment in Canadian companies for about 58 per cent.

Total direct investments abroad of Canadian companies are frequently more significant for the Canadian balance of payments than the Canadian

STATEMENT 57. Non-resident Equity and Control of Canadian Direct Investment Abroad, Selected Year Ends, 1954 - 64

Item	1954		1960		1961		1962		1963		1964	
	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity												
United States residents	484	30	947	38	995	38	1,106	39	1,174	38	1,297	39
United Kingdom residents	76	5	86	3	88	3	97	4	109	3	132	4
Other non-residents	35	2	91	4	99	4	115	4	131	4	145	4
Sub-totals, non-residents	**595**	**37**	**1,124**	**45**	**1,182**	**45**	**1,318**	**47**	**1,414**	**45**	**1,574**	**47**
Canadain residents	1,024	63	1,357	55	1,446	55	1,503	53	1,711	55	1,782	53
Totals	**1,619**	**100**	**2,481**	**100**	**2,628**	**100**	**2,821**	**100**	**3,125**	**100**	**3,356**	**100**
Control												
United States-controlled Canadian enterprises	425	26	967	39	957	36	1,035	37	1,158	37	1,307	39
Other foreign-controlled Canadian enterprises	12	1	74	3	78	3	96	3	114	4	137	4
Sub-totals, foreign control	**437**	**27**	**1,041**	**42**	**1,035**	**39**	**1,131**	**40**	**1,272**	**41**	**1,444**	**43**
Canadian controlled enterprises and resident Canadian individuals	1,182	73	1,440	58	1,593	61	1,690	60	1,853	59	1,912	57
Totals	**1,619**	**100**	**2,481**	**100**	**2,628**	**100**	**2,821**	**100**	**3,125**	**100**	**3,356**	**100**

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

equity. For example, it is the total capital movements and the total income transfers arising from these investments that are relevant. Effect on the balance of payments is an important criterion for inclusion of investments abroad of Canadian companies.

There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian investment abroad (and Canadian liabilities correspondingly reduced) because their international transactions are of no real relevance to the Canadian balance of payments. The group includes Canadian investment and holding companies wholly-owned abroad whose assets are also wholly situated abroad, the foreign ownership in some Canadian companies operating only abroad in which beneficial Canadian ownership is minor, and some subsidiaries abroad of operating companies wholly-owned abroad if the operations abroad are not directly related to the Canadian functions.

The investments outside Canada referred to in the preceding paragraph amounted at the end of 1961 to about $3 billion and were quite apart from the substantial assets of nearly $6 billion held abroad by Canadian banks and insurance companies in respect of their liabilities to non-residents. Taking into account all types, the total investment abroad of Canadian corporations and institutions held beneficially for non-residents fell not far short of $10 billion at the end of 1961.

[4] For a description of the statistical technique followed to derive estimates of foreign investment in Canada, see "Canada's International Investment Position 1926 - 1954", page 67.

Direct Investment in Canada

Direct investment in Canada by non-residents has increased almost sixfold in the post-war period, from $2,713 million at the end of 1945 to $15,889 million at the end of 1964 when it represented some 58 per cent of total long-term investment in Canada by non-residents. Direct investments in foreign-controlled enterprises have grown more rapidly than portfolio investments in most years since 1945, although this growth appears to have slowed down somewhat in 1963 and 1964. The importance of these direct investments in some of the main areas of growth like resource industries and secondary manufacturing has given them a special significance. By the end of 1964 the value of foreign direct investment in manufacturing had grown to $6,545 million while in petroleum and natural gas, an area of especially dynamic growth, it had grown to $4,201 million from $141 million in 1945.

This aspect of foreign investment in Canada has been dominated by direct investment from the United States. At the end of 1964 United States direct investments, valued at $12,901 million, made up over 80 per cent of total foreign direct investments in Canada. These investments were more than five times the 1945 value of $2,304 million. In comparison, United States-owned portfolio investments trebled in value during the same period to $8,542 million. The value of direct investments owned by United Kingdom residents has increased to almost six times the 1946 low of $335 million. At $1,944 million British direct investments comprised 12 per cent of total foreign direct investments in Canada at the end of 1964. An industrial distribution of direct investments owned in the United States and the United Kingdom can be found in Table X.

Direct investment in Canada by countries other than the United States and United Kingdom has increased since the end of World War II from $61 million to $943 million by the end of 1963 and $1,044 million by the end of 1964. The period of rapid increase was interrupted in 1963 when there was a small decline of $5 million in the book value of these investments. But over the post-war period as a whole, their rate of growth was considerably higher than for investments by either the United States or United Kingdom, although of course the amounts involved are smaller.

STATEMENT 58. Direct Investment in Canada by Countries Other than the United States and United Kingdom, Selected Year Ends, 1955-63

Country of ownership	Book value				
	1955	1957	1959	1961	1963
	millions of dollars				
Australia	6	6	7	7	1
Sterling area in western hemisphere	—	4	9	16	18
Other sterling area	8	10	22	22	13
Sub-totals, sterling area excluding United Kingdom	**14**	**20**	**38**	**45**	**32**
Belgium	107	139	164	197	199
Denmark	7	7	9	9	6
France	64	92	107	143	146
Germany	14	56	82	102	109
Netherlands	9	23	34	141*	224
Sweden	12	19	27	34	35
Switzerland	72	92	101	128	142
Other OECD (Europe)	3	4	4	5	9
Sub-totals, OECD countries other than sterling area	**288**	**432**	**528**	**759**	**870**
Panama	2	6	6	10	12
Other Latin American countries	1	3	2	1	2
Sub-totals, Latin America	**3**	**9**	**8**	**11**	**14**
Other countries[1]	20	33	36	25	27
Totals[2]	**325**	**494**	**610**	**840**	**943**

[1] Includes mainly foreign-controlled investments whose beneficial ownership has not been identified by country.
[2] Distribution of these totals by industry will be found in Table X, part D.

Statement 58 shows the geographic distribution of ownership of these investments at biennial intervals from 1955 to 1963. It reveals exceptionally rapid growths of direct investment by the Netherlands, the data for which are influenced by the statistical treatment of some large international companies and by the Federal Republic of West Germany which increased from $14 million to $109 million in the eight-year period. The next largest increases were in investments by Belgium, France and Switzerland. At the end of 1963 the Netherlands was the largest source of direct investment in Canada apart from the United States and the United Kingdom, Belgium followed, then France, Switzerland and Germany in that order, each with more than $100 million.

The largest parts of Dutch and of Belgian investment were in the petroleum industry. French and Swiss investments tended to be in the financial category, which includes also real estate ownership. German investments, on the other hand, tended to be in manufacturing.

Statement 59 shows the total Canadian and foreign investment in Canada in enterprises controlled in countries other than the United States and the United Kingdom at biennial intervals from 1955 to 1963. In most cases these values range from 40 per cent to 50 per cent above the values of direct investment and reflect investment in the companies from Canada or from third countries. An industrial distribution at the end of 1960 will be found in Statement 35 A of the "Canadian Balance of International Payments, 1961 and 1962 and International Investment Position".

The figures do not include "miscellaneous investments" in real estate, mortgages, assets administered for non-residents, private investment companies, etc., which amounted to $646 million at the end of 1963 and $622 million at the end of 1964. Some of these investments are similar in character to the direct investment covered in these statements.

STATEMENT 59. Total Canadian and Foreign Investment in Canada in Enterprises Controlled in Countries Other than the United States and United Kingdom, Selected Year Ends, 1955 - 63

Country of control	Book value				
	1955	1957	1959	1961	1963
	millions of dollars				
Australia	11	6	7	7	1
Sterling area in western hemisphere	–	7	16	27	28
Other sterling area	8	10	31	30	37
Sub-totals, sterling area excluding United Kingdom	**19**	**23**	**54**	**64**	**66**
Belgium	140	174	224	308	310
Denmark	7	8	9	9	9
France	101	156	178	247	297
Germany	16	66	112	126	138
Netherlands	11	26	36	150*	266
Sweden	15	21	33	69	69
Switzerland	86	111	152	165	185
Other OECD (Europe)	3	4	5	6	11
Sub-totals, OECD countries other than sterling area	**379**	**566**	**749**	**1,080**	**1,285**
Panama	3	6	6	13	13
Other Latin American countries	1	3	2	1	3
Sub-totals, Latin America	**4**	**9**	**8**	**14**	**16**
Other countries[1]	29	44	49	29	32
Totals	**431**	**642**	**860**	**1,187**	**1,399**

[1] Includes mainly foreign-controlled investments whose beneficial ownership has not been identified by country.

The channels used by many of these overseas countries for portfolio investment in Canada, which at the end of 1963 and 1964 amounted to $735 million and $782 million respectively, preclude identification by country of ownership, but the overwhelming part of the total may be considered to be owned in Western Europe.

Ownership of Net Canadian Long-term Funded Debt

Statement 60 provides a detailed classification of the estimated distribution of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954 and 1964 (net of sinking funds). Over this ten-year period outstanding funded debt is estimated to have risen by 86 per cent to $44.4 billion of which $6.1 billion or 14 per cent provided for payment solely or optionally in foreign currency. At the end of 1964 such issues accounted for 2 per cent of Government of Canada debt (excluding railway debt), 23 per cent of provincial debt, 21 per cent of municipal debt, 20 per cent of railway debt, and 20 per cent of other corporate funded debt. They represented 21 per cent of all funded debt other than Government of Canada direct issues. Total non-resident ownership rose by 116 per cent to $8.2 billion. Perhaps one third of this total represented investment from the United States by insurance companies; some of these companies also have large investments in Canadian securities arising from their Canadian business. Securities owned by non-residents accounted for 5 per cent of the Government of Canada debt, 26 per cent of provincial debt, 26 per cent of municipal debt, 26 per cent of railway debt and 29 per cent of other corporate funded debt. This was 19 per cent of all funded debt or 27 per cent of all funded debt except Government of Canada direct issues.

STATEMENT 60. Estimated Distribution of Ownership of Net Canadian Long-term Funded Debt, End of 1954 and 1964

Classification by currency of payment

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1964	1954	1964	1954	1964	1954	1964	1954	1964
	millions of dollars									
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only[1]	12,640	16,848	12,284	16,293	265	348	22	21	69	186
Payable in foreign currencies only	392	348	97	6	242	342	49	—	4	—
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	**13,041**	**17,196**	**12,382**	**16,299**	**515**	**690**	**71**	**21**	**73**	**186**
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	7,725	2,456	7,402	45	238	30	60	12	25
Payable in foreign currencies only	512	2,177	1	3	510	2,165	1	—	—	9
Payable optionally in Canadian or foreign currencies	388	84	22	17	359	66	7	1	—	—
Sub-totals	**3,443**	**9,986**	**2,479**	**7,422**	**914**	**2,469**	**38**	**61**	**12**	**34**
Municipal:										
Payable in Canadian dollars only	1,491	3,778	1,389	3,540	72	203	26	25	4	10
Payable in foreign currencies only	285	959	14	2	267	949	3	3	1	5
Payable optionally in Canadian or foreign currencies	87	48	27	22	54	25	6	1	—	—
Sub-totals	**1,863**	**4,785**	**1,430**	**3,564**	**393**	**1,177**	**35**	**29**	**5**	**15**
Railways:										
Payable in Canadian dollars only	895	1,596	850	1,461	30	52	7	12	8	71
Payable in foreign currencies only	422	394	—	21	133	105	287	247	2	21
Payable optionally in Canadian or foreign currencies	253	1	116	—	111	1	4	—	22	—
Sub-totals	**1,570**	**1,991**	**966**	**1,482**	**274**	**158**	**298**	**259**	**32**	**92**
Other corporations:										
Payable in Canadian dollars only	3,193	8,309	2,779	7,273	249	797	142	164	23	75
Payable in foreign currencies only	689	2,023	9	61	664	1,931	11	8	5	23
Payable optionally in Canadian or foreign currencies	86	78	18	20	68	58	—	—	—	—
Sub-totals	**3,968**	**10,410**	**2,806**	**7,354**	**981**[2]	**2,786**[2]	**153**	**172**	**28**	**98**
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	38,256	19,758	35,969	661	1,638	227	282	116	367
Payable in foreign currencies only	2,300	5,901	121	93	1,816	5,492	351	258	12	58
Payable optionally in Canadian or foreign currencies	823	211	184	59	600	150	17	2	22	—
Totals	**23,885**	**44,368**	**20,063**	**36,121**	**3,077**	**7,280**	**595**	**542**	**150**	**425**

	1954	1964
[1] Excludes treasury bills and notes	1,530	2,140
[2] Includes corporate bonds held by United States parent companies and affiliates:		
Payable in Canadian dollars only	7	5
Payable in foreign currencies only	142	108
Payable optionally in Canadian or foreign currencies	39	14
Totals	**188**	**127**

Investment in Canadian Financial Institutions and Enterprises

Details of the components of the financial[5] category of the international investment statistics for the end of 1962, 1963 and 1964 are given in Statement 61. During the ten-year period ending 1964 this group of investments has grown somewhat more quickly than total foreign long-term investment in Canada. Foreign investments in the group totalled $1,014 million at the end of 1954 when they represented about 8 per cent of total foreign long-term investment in Canada and $2,503 million at the end of 1964 when they represented over 9 per cent of all investments.[6] Some categories of these investments are similar to parts of "Miscellaneous investments" which are the subject of later comment.

[5] It should be noted that the enterprise is the general unit of classification employed in this report, as distinguished from the corporation normally employed as the unit in many other statistical series. Thus, for example, three largest companies normally thought of as in the beverage industry, although frequently classified to the finance industry in other series, appear in this report with manufacturing enterprises.

[6] See *"About the figures* – Foreign Direct and Short-term Investment in Canada, 1964, – Discontinuities" p. 65.

STATEMENT 61. Detail of Foreign Investment in Financial Category, Selected Year Ends, 1962 - 64

Type	Direct investment											
	United States			United Kingdom			Other countries			Total		
	1962	1963	1964	1962	1963	1964	1962	1963	1964	1962	1963	1964
	millions of dollars											
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	641	738	432*	36	35	33	59	56	57	736	829	522*
Insurance companies	500	506	492	110	100	120	66	62	62	676	668	674
Real estate companies	120	125	72	51	52	75	61	72	102	232	249	249
Other holding companies	26	25	35	37	35	37	62	61	79	125	121	151
Totals as in Table X	**1,287**	**1,394**	**1,031***	**234**	**222**	**265**	**248**	**251**	**300**	**1,769**	**1,867**	**1,596***
	Total (Direct and portfolio investment)											
	United States			United Kingdom			Other countries			Total		
	1962	1963	1964	1962	1963	1964	1962	1963	1964	1962	1963	1964
	millions of dollars											
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	1,008	1,189	796*	231	225	224	77	74	74	1,316	1,488	1,094*
Insurance companies	514	524	508	111	101	122	67	63	63	692	688	693
Real estate companies	149	159	215	83	82	84	76	88	118	308	329	417
Income accumulating funds[1]	164	123	42	[2]	[2]	[2]	[2]	[2]	[2]	164	123	42
Other holding companies	37	38	56	62	73	71	109	108	130	208	219	257
Totals as in Table IX	**1,872**	**2,033**	**1,617***	**487**	**481**	**501**	**329**	**333**	**385**	**2,688**	**2,847**	**2,503***

[1] Investment in Canadian securities only.
[2] Minor investment by United Kingdom and other countries is included with "Other holding companies".

Miscellaneous Foreign Investments in Canada

Statement 62 provides detailed estimates of the components of the "Miscellaneous investments" category of foreign investment in Canada. Included in this category are non-corporate commercial and residential real estate, mortgages, assets administered for non-residents by financial intermediaries such as trustees, private investment companies, and other investments such as the portion in Canada of international bridges owned in the United States. This group of investments has been growing rapidly and almost quadrupled in value in the decade from 1954 to 1964. The largest part of the total of $2,037 million is represented by investment in Canadian securities, conservatively estimated at $999 million at the end of 1964. Perhaps two thirds of this covers investment in the stocks of both public and private Canadian companies and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling $490 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled $275 million. Columbia River Treaty receipts, which appeared for the first time in 1964, amounted to $273 million.[7]

The 1960 report in this series contained a note "*About the figures* – Miscellaneous Investments".

[7] For a description of the arrangements related to the Columbia River Treaty, see p. 50.

STATEMENT 62. Detail of Foreign Investment in "Miscellaneous Investments"[1] Category, Year Ends, 1954-64[2]

Type	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
	millions of dollars										
Canadian securities	302	313	413	479	613	785	863	1,001	1,043	1,026	999
Mortgages on Canadian real estate	109	168	250	255	295	310	355	440	440	470	490
Real estate in Canada	115	120	125	115	115	150	160	190	195	190	205
Columbia River Treaty	–	–	–	–	–	–	–	–	–	–	273
Other investments	35	40	30	30	40	40	50	65	75	85	70
Totals as in Tables VIII and IX	**561**	**641**	**818**	**879**	**1,063**	**1,285**	**1,428**	**1,696**	**1,753**	**1,771**	**2,037**

	Country of ownership[3]											
	1961			1962			1963			1964		
	United States	United Kingdom	Other countries	United States	United Kingdom	Other countries	United States	United Kingdom	Other countries	United States	United Kingdom	Other countries
	millions of dollars											
Canadian securities	215	191	595	231	195	617	234	183	609	241	176	582
Mortgages on Canadian real estate	434	3	3	434	3	3	463	3	4	482	3	5
Real estate in Canada	151	16	23	160	15	20	155	15	20	165	15	25
Columbia River Treaty	–	–	–	–	–	–	–	–	–	273	–	–
Other investments	40	13	12	47	15	13	52	20	13	45	15	10
Totals as in Tables VIII and IX	**840**	**223**	**633**	**872**	**228**	**653**	**904**	**221**	**646**	**1,206**	**209**	**622**

[1] Real estate, mortgages, assets administered for non-residents, private investment companies, etc.
[2] For 1952 and 1953, see Statement 25, "The Canadian Balance of International Payments, 1960 and International Investment Position".
[3] For years 1956 to 1960 (subject to minor revisions) see "The Canadian Balance of International Payments and International Investment Position" for the years 1957 to 1961 and 1962, respectively.

Number of Canadian Concerns with Some Foreign Ownership

By the end of 1964, as shown in Table XI, the number of Canadian concerns controlled abroad had risen to 7,808[8]. The increases during 1962, 1963, and 1964, were 172, 45, and 341 respectively. As seen in Statement 63, the Bureau's records covered almost 11,000 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1964. The total number of Canadian corporations of all sorts at the beginning of that year was over 150,000. Statement 63 also shows the great corporate activity in the field of foreign investments.

[8] It should be noted that there may be some lag in identifying Canadian corporations in which there is foreign ownership and year-to-year changes may be subject to some distortion. See "*About the figures* – Foreign Direct and Short-term Investment in Canada, 1964 – Discontinuities", p. 65.

STATEMENT 63. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1962 - 64

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
1962						
Number at beginning of year	5,205	1,423	622	7,250	2,635	9,885
Add:						
New concerns with foreign capital	+ 340	+ 35	+ 44	+ 419	+ 114	+ 533
Transfers of control	+ 17	+ 9	+ 4	+ 30	+ 41	+ 71
Subtract:						
Transfers of control	– 44	– 5	– 4	– 53	– 18	– 71
Concerns now wholly-owned by Canadians	– 28	– 3	– 4	– 35	– 12	– 47
Concerns liquidated, merged, etc.	– 159	– 35	– 15	– 209	– 42	– 251
Add:						
Net increase in Canadian subsidiaries of these concerns	+ 23	– 2	– 1	+ 20	+ 45	+ 65
Number at end of year (Table XI)	**5,354**	**1,422**	**646**	**7,422**	**2,763**	**10,185**
1963						
Number at beginning of year	5,354	1,422	646	7,422	2,763	10,185
Add:						
New concerns with foreign capital	+ 265	+ 28	+ 37	+ 330	+ 109	+ 439
Transfers of control	+ 18	+ 9	+ 8	+ 35	+ 18	+ 53
Subtract:						
Transfers of control	– 24	– 6	– 3	– 33	– 20	– 53
Concerns now wholly-owned by Canadians	– 42	– 6	– 1	– 49	– 43	– 92
Concerns liquidated, merged, etc.	– 214	– 51	– 32	– 297	– 74	– 371
Add:						
Net increase in Canadian subsidiaries of these concerns	+ 47	+ 17	– 5	+ 59	+ 59	+ 118
Number at end of year (Table XI)	**5,404**	**1,413**	**650**	**7,467**	**2,812**	**10,279**
1964						
Number at beginning of year	5,404	1,413	650	7,467	2,812	10,279
Add:						
New concerns with foreign capital	+ 378	+ 68	+ 149	+ 595	+ 85	+ 680
Transfers of control	+ 25	+ 4	+ 9	+ 38	+ 22	+ 60
Subtract:						
Transfers of control	– 25	– 8	– 4	– 37	– 23	– 60
Concerns now wholly-owned by Canadians	– 17	– 12	– 7	– 36	– 49	– 85
Concerns liquidated, merged, etc.	– 191	– 56	– 39	– 286	– 70	– 356
Add:						
Net increase in Canadian subsidiaries of these concerns	+ 16	– 9	+ 60	+ 67	+ 151	+ 218
Number at end of year (Table XI)	**5,590**	**1,400**	**818**	**7,808**	**2,928**	**10,736**

Note: These numbers exclude about 250 non-resident-owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous investments" group.

Foreign Financing of All Canadian Investment

The importance of non-resident investment in Canada in relation to gross and net capital formation in Canada over the past 20 years is shown in Statements 64 and 65 and in the charts on page 76. In the periods 1954 to 1957, and 1958 to 1961, both including years of intense capital formation, Canada's net use of foreign resources amounted to about one-third and direct foreign financing to 43 per cent and 47 per cent, respectively, of net capital formation. In the four years 1962 to 1965, however, the relative use of foreign resources was almost halved to 19 per cent mainly in reflection of the sharp narrowing in Canada's current account deficit with the rest of the world. Direct financing of net capital formation by non-residents declined moderately to 43 per cent.

The specific significance of these measures together with their definitions is described in "*About the figures* – Foreign Financing of All Canadian Investment", found on page 50 of the 1960 edition of "The Canadian Balance of International Payments and International Investment Position". As indicated by ratio A2, Canadian savings were adequate to finance 66 per cent of net capital formation between 1958 and 1961 and 81 per cent between 1962 and 1965. But not all domestic savings were used for new investment in Canada. A portion of Canadian savings was, for example, invested abroad, while some savings were employed for the retirement of debts contracted abroad in earlier periods. Accordingly, since 1961 Canadian savings directly financed a smaller part of net capital formation in Canada, i.e. roughly 60 per cent, and direct foreign financing (in ratio B2) accounted for the remaining 40 per cent. Included in these non-resident savings were retained earnings generated within the Canadian economy.

STATEMENT 64. Foreign Financing of All Canadian Investment, 1946-65

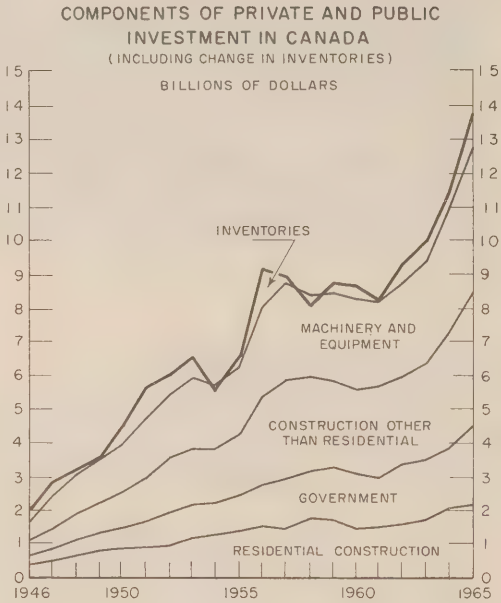
Measure	1946-49	1950-53	1954-57	1958-61	1962-65[1]
	percentages				
A. Use of foreign resources as a percentage of:					
1 gross capital formation	–	14	26	27	20
2 net capital formation	- 9	14	32	34	19
B. Direct foreign financing of:					
1 gross capital formation	19	23	31	33	33
2 net capital formation	24	29	43	47	43

[1] The incidence of a new issue placed abroad by the Government of Canada has been eliminated.

Note: For a description of statistical methods, see "*About the figures* – Foreign Financing of All Canadian Investment" in "The Canadian Balance of International Payments, 1960 and International Investment Position", p. 50.

Canada was a net exporter of capital in the period 1946 to 1949 as well as in some earlier years not shown in Statement 65. In these post-war years no net foreign resources were utilized in domestic capital formation as Canada was able, on balance, to invest abroad. Direct foreign financing, however, still represented about a quarter of net capital formation. With the turn of the decade, the tempo of foreign investment in Canada increased. The use of foreign resources as a proportion of gross investment rose sharply to an average of 14 per cent for the years 1950 to 1953 and to 26 per cent (1954 to 1957) and 27 per cent (1958 to 1961). However, during the four years 1962 to 1965 the proportion fell to an average of 20 per cent. The ratios to net capital formation for these four periods were 14 per cent, 32 per cent, 34 per cent, and 19 per cent, respectively. A third of gross capital formation was financed directly in recent years by foreign capital as compared with about a fifth in the two earlier periods. Direct foreign financing of net investment almost doubled from 24 per cent to 47 per cent between 1946 and 1961 but declined to an average of 43 per cent in the period 1962 to 1965. Around 1929 and 1930 foreign capital was, relatively, even more important than in recent years. Direct foreign financing was estimated to represent at least one half of net capital formation.

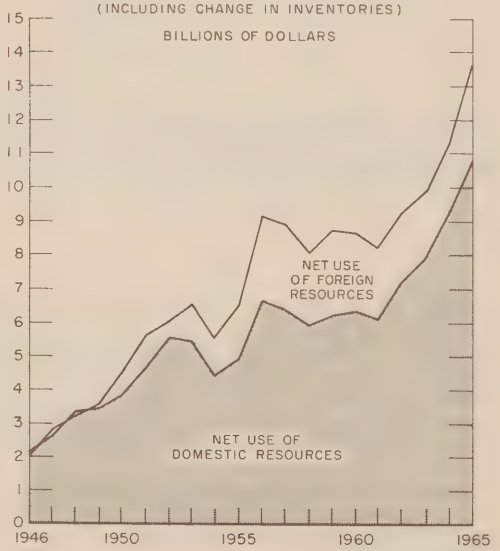
FINANCING OF ALL CANADIAN INVESTMENT

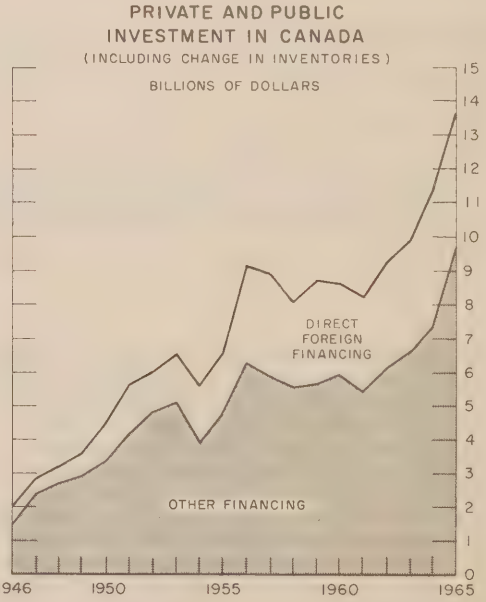


STATEMENT 65. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-65

Year	Gross capital formation	Net use of domestic resources	Net use of foreign resources
	billions of dollars		
1946	2.0	2.1	- .1
1947	2.8	2.6	.2
1948	3.2	3.4	- .2
1949	3.6	3.5	.1
1950	4.5	3.8	.7
1951	5.7	4.7	1.0
1952	6.0	5.6	.4
1953	6.6	5.4	1.1
1954	5.6	4.4	1.2
1955	6.6	4.9	1.6
1956	9.1	6.7	2.4
1957	8.9	6.4	2.5
1958	8.0	6.0	2.0
1959	8.8	6.2	2.6
1960	8.7	6.4	2.3
1961	8.2	6.1	2.1
1962	9.2	7.1	2.1
1963	9.9	7.9	2.0
1964	11.3	9.3	2.0
1965	13.7	10.8	2.9

Note: For statistical method see *"About the figures"* in "The Canadian Balance of International Payments, 1960 and International Investment Position", p. 50.





Foreign Ownership and Control[9] of Canadian Industry

The estimates appearing in Tables XII to XVI and in the statements in this section bring forward to the end of 1963 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce.[10] In the two years for which data have now become available, there has been a growth of $4.5 billion or more than 9 per cent in the estimated total capital employed in the selected areas of Canadian industry for which measurements have been possible, viz. manufacturing, petroleum and natural gas, mining and smelting, railways, other utilities, merchandising and construction. Non-resident-owned capital financed $1.8 billion of the increase, while an increase of $1.9 billion was attributable to externally controlled enterprises. These amounts were somewhat larger than in the previous two-year period reviewed in the last report but they represented slightly smaller proportions of the growth.

Taken as a group, the proportion of these industries owned by non-residents remained at 35 per cent, unchanged since 1961. The share of United States investors rose from 27 per cent to 28 per cent in 1962. Foreign ownership of manufacturing has remained at 54 per cent since 1961, while in mining and smelting the non-resident-owned proportion which rose to 63 per cent in 1962 returned to 62 per cent in 1963. Non-resident ownership in the petroleum and natural gas industry increased to 64 per cent from 63 per cent in 1961 and 1962. An increase in foreign ownership of petroleum, which was to some extent associated with the takeover of a large Canadian-controlled concern, was partly offset by increased Canadian investment in enterprises engaged in the distribution and marketing of natural gas. The declining role of foreign capital in railways, generally characteristic of the period since the beginning of World War II, continued, and is reflected in a reduction of the non-resident-owned proportion by two percentage points to 23 per cent. Non-residents maintained their 13 per cent ownership of utilities other than railways.

Similar tendencies are evident in series covering foreign control of these sectors. In the whole group of industries for which estimates are possible, the proportions controlled by residents of all foreign countries and of the United States both edged up by one percentage point in 1962 to 34 per cent and 27 per cent, respectively. In manufacturing foreign control rose in the two-year period from 59 per cent to 60 per cent, and in the petroleum and natural gas industry non-resident control increased by 2 percentage points to 74 per cent. The foreign-controlled proportion of mining and smelting fell from 59 per cent to 58 per cent in 1962 but rose to 59 per cent again in 1963. Foreign control of railways remained unchanged at 2 per cent while foreign control of utilities other than railways declined by one percentage point to 4 per cent.

In longer perspective, foreign ownership of Canadian manufacturing has increased gradually from 38 per cent in 1926 to 54 per cent in 1963 and control has expanded from 35 per cent to 60 per cent. Foreign ownership of mining and smelting has also reflected an almost uninterrupted growth from 37 per cent in 1926 to 62 per cent in 1963 and control has risen from 38 per cent to 59 per cent, which, however, was somewhat lower than in 1959. Apart from these industries there has developed a substantial petroleum and natural gas industry which in 1963 was 64 per cent foreign-owned and 74 per cent foreign-controlled. Both foreign ownership and control reached peaks in 1956 but, with the expansion of natural gas enterprises largely owned and controlled by residents, declined until 1961 and 1962, respectively, when they again began to show moderate increases. Foreign ownership and control have declined in both railways and other utilities.

Since 1926 United States ownership has risen from 19 per cent to 28 per cent of the industries covered in these comparisons, while ownership by other non-residents has fallen relatively from 18 per cent to 7 per cent. United States-control of the group has risen from 15 to 27 per cent, and control by residents of other countries from 2 per cent to 7 per cent. The marked disparity between the ownership and control ratios reflects inter alia the substantial repatriation of railway and other utility investments from the United Kingdom during the war.

Estimates of book values, upon which these ratios are based, are found in Table XVI, and a summary of the changes in the nine years ending 1963, the full period for which comparable detail is available, is given in Statement 66. These reveal that much the major part of the growth of manufacturing, petroleum and natural gas, and mining and smelting is represented by increased ownership and control by non-residents of each of these industrial sectors. At the same time the predominant part of increased investment in railways, other utilities, and merchandising and construction is represented by domestic capital.

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[9] The term "control" as used throughout this report relates to the aggregate investments in Canada in companies whose principal owners are non-residents. Most instances are subsidiaries or branches of business enterprises located outside Canada. The essential characteristic of the group of companies is a relationship implying potential control. No attempt is made in classifying companies to measure the actual exercise of control in practice. For a detailed description of the principles followed in classifying companies in the direct investment group see *"About the figures* – Foreign Ownership and Control" in "The Canadian Balance of International Payments, 1961 and 1962, and International Investment Position", pp. 95-97.

[10] Changes in industrial classifications in certain series used in the construction of the estimates appear to have given rise to some discontinuities for which adjustments have been made wherever possible. Some of the remaining changes may reflect those in the statistical source material. For a technical note on the statistics see *"About the figures"* in "The Canadian Balance of International Payments, 1960 and International Investment Position", pp. 62-63.

STATEMENT 66. Ownership and Control of Selected Canadian Industries, Net Change in Book Values, Nine Years Ending 1963

Item	Manufacturing	Petroleum and natural gas	Mining and smelting	Railways	Other utilities	Merchandising and construction	Total
	billions of dollars						
Ownership							
United States	2.9	2.5	1.2	–	0.8	0.3	7.6
Other foreign	0.7	0.7	0.1	–	–	0.1	1.6
Sub-totals	**3.6**	**3.2**	**1.4**	**– 0.2**	**0.8**	**0.4**	**9.2**
Canadian	1.8	1.6	0.6	1.4	6.1	3.3	14.7
Totals	**5.4**	**4.8**	**1.9**	**1.2**	**6.9**	**3.7**	**23.9**
Control							
United States	2.9	2.9	1.1	–	0.1	0.3	7.2
Other foreign	1.1	0.8	0.2	–	–	0.3	2.5
Sub-totals	**4.0**	**3.7**	**1.3**	**–**	**0.1**	**0.6**	**9.7**
Canadian	1.4	1.1	0.6	1.2	6.8	3.1	14.2
Totals	**5.4**	**4.8**	**1.9**	**1.2**	**6.9**	**3.7**	**23.9**

Note: As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

More detailed data on the ownership and control of Canadian industry appear in Table XV and in Statement 67, covering most of the commodity-producing industries other than agriculture. In the manufacturing sector ten identified industrial groupings show the marked variation in the degree of non-resident ownership and control. In six of these subgroups non-resident ownership represents more than half of the total investment, and ranges between roughly 91 per cent for automobiles and parts and 20 per cent for textiles and iron and steel mills. Over the nine-year period covered in Statement 67, non-resident ownership, in relative terms, has grown faster than domestic ownership in six of the groups; rubber, pulp and paper, agricultural machinery, automobiles and parts, transportation equipment and iron and steel mills. It has fallen slightly in beverages, textiles and chemicals and has remained relatively stable in electrical apparatus. Non-resident ownership advanced 25 percentage points between the end of 1954 and 1963 in transportation equipment, 13 percentage points in automobiles and parts, and 12 percentage points in agricultural machinery enterprises.

Investment by non-residents is also important in the areas of manufacturing for which separate estimates are not available. This group accounts for well over 40 per cent of the value of manufacturing enterprises. Non-resident ownership represents about 59 per cent and has grown faster than for manufacturing as a whole.

This large group of companies classified as "Other manufacturing" shown in Table XV is quite heterogeneous. The group is made up of industrial subgroups which cannot be shown separately either because of difficulties of arriving at the total investment (and consequently the Canadian investment) using a variety of secondary sources in addition to the records of international investments, or due to the need to avoid disclosing investments in individual enterprises. The value of the estimated total investment and the Canadian investment shown are therefore subject to some reservations.

The heterogeneous nature of the group is indicated by Statement 68 showing the industrial classification of the foreign investment in companies according to broad groups presented in Table IX. It will be observed that the group "Other manufacturing" includes primary export industries such as the aluminum and lumber industries and a great variety of secondary industries mainly producing for the Canadian market, such as food, tobacco, building and construction materials and many kinds of machinery and metal processing.

Foreign ownership of the petroleum and natural gas industry rose by 4 percentage points to 64 per cent over the nine-year period. Non-resident ownership of smelting and refining of non-ferrous native ores declined from 59 per cent to 52 per cent over the nine-year period, but non-resident ownership of mining as a whole has increased on account of the rise in other mining.

STATEMENT 67. Ownership and Control of Selected Canadian Industries, Selected Year Ends, 1954 - 63

Enterprise classification	Foreign ownership					Foreign control				
	1954	1957	1959	1961	1963	1954	1957	1959	1961	1963
	per cent									
Manufacturing:										
Beverages	29	28	26	26	26	20	13	13	14	17
Rubber	78	84	86	88	87	93	97	98	99	97
Textiles	21	21	22	24	20	18	19	23	23	20
Pulp and paper	51	53	52	51	52	56	55	49	46	47
Agricultural machinery[1]	37	37	43	45	49	35	38	55	50	50
Automobiles and parts	78	78	89	90	91	95	95	97	97	97
Transportation equipment n.o.p.	34	47	58	57	59	36	67	73	70	78
Primary iron and steel	16	24	25	..	..	6	26	23	..	..
Iron and steel mills	..	..	..	30	20*	..	..	..	25	14*
Electrical apparatus	70	70	74	73	70	77	77	81	78	77
Chemicals	64	62	61	62	63	75	75	77	76	78
Other manufacturing	46	50	52	56	59	52	57	61	66	70
Sub-totals (excluding petroleum refining)	**47**	**50**	**51**	**54**	**54**	**51**	**56**	**57**	**59**	**60**
Petroleum and natural gas	60	63	62	63	64	69	76	73	72	74
Mining:										
Smelting and refining of non-ferrous native ores	59	54	56	55	52	55	66	66	55	51
Other mining	55	56	59	64	66	49	59	59	60	62
Sub-totals	**56**	**56**	**58**	**62**	**62**	**51**	**61**	**61**	**59**	**59**
Totals of above industries	**51**	**54**	**55**	**57**	**59**	**55**	**61**	**62**	**63**	**64**

[1] Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

STATEMENT 68. Analysis of Foreign Investments in "Other Manufacturing", 1963

(Also shown in Table XV)

Industry classification	Owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Other vegetable products, including various foods and tobacco	342	128	13	483
Animal products, including meat, dairy and leather products	147	8	7	162
Other wood products, including saw and other wood processing mills, furniture, and printing	296	29	15	340
Other iron products, including non-agricultural machinery and metal fabricating	826	53	65	944
Other non-ferrous metal products, including aluminum and metal fabricating	567	152	10	729
Non-metallic minerals, including cement, glass, and other building materials and products	171	67	83	321
Miscellaneous	115	6	1	122
Other enterprises	292	48	21	361
Totals, other manufacturing	**2,756**	**491**	**215**	**3,462**

Corresponding figures measuring foreign control of Canadian industry indicate that over the nine years from 1954 to 1963 non-resident control has risen in all the subgroups of manufacturing, except three. It ranged in 1963 from 97 per cent in the cases of rubber and of automobiles and parts, to 17 per cent in beverages and 14 per cent in iron and steel mills. In addition non-resident control of the "Other manufacturing" category has risen to 70 per cent.

Foreign control of the petroleum and natural gas industry as a whole rose sharply in the early part of the period, to 76 per cent in 1957, but subsided by the end of 1961 to 72 per cent, as a result of the growth of the natural gas industry, which tends to be more heavily financed and controlled in Canada. By 1963, however, with increased investment in petroleum, it rose to 74 per cent. Foreign control of smelting and refining increased by 11 percentage

points to 66 per cent in 1959 but then declined steadily to the end of 1963 when it stood at 52 per cent, or 7 percentage points lower than in 1954. On the other hand there has been a substantial growth of foreign control of other mining, and of mining as a whole.

Taking together the three main groups, manufacturing, petroleum and natural gas, and mining, as a whole, non-resident ownership has risen by 8 percentage points in the nine-year period to 59 per cent at the end of 1963. At the same time foreign control has risen by 9 percentage points to 64 per cent.

Further information on the control of these industries is given in Statement 69, which also shows separately those parts of each sector represented by government enterprises at the end of each of the five years 1959 to 1963.

STATEMENT 69. Analysis of Control of Selected Canadian Industries, Year Ends, 1959-63

Industry classification	Controlled in					Controlled in				
	Total	Canada		United States	Other foreign	Total	Canada		United States	Other foreign
		Government enterprises	Private enterprises				Government enterprises	Private enterprises		
	billions of dollars					per cent				
End of 1959[r]										
Manufacturing	11.7	0.2	4.8	5.1	1.6	100	1	42	44	13
Petroleum and natural gas	5.6	0.1	1.4	3.7	0.4	100	2	25	67	6
Other mining and smelting	3.1	0.1	1.1	1.6	0.3	100	2	37	53	8
Railways	5.2	3.5	1.6	0.1	–	100	67	31	2	–
Other utilities	8.5	5.3	2.8	0.4	0.1	100	62	33	4	1
Merchandising[1] and construction	9.5	0.1	8.6	0.6	0.2	100	1	90	6	3
Total of above	**43.6**	**9.2**	**20.4**	**11.5**	**2.5**	**100**	**21**	**47**	**26**	**6**
End of 1960[r]										
Manufacturing	12.2	0.3	4.8	5.4	1.8	100	2	39	44	15
Petroleum and natural gas	6.1	0.1	1.5	3.9	0.5	100	2	25	64	9
Other mining and smelting	3.3	0.1	1.2	1.7	0.3	100	2	37	53	8
Railways	5.3	3.6	1.6	0.1	–	100	68	30	2	–
Other utilities	9.2	5.6	3.1	0.4	0.1	100	61	34	4	1
Merchandising[1] and construction	9.4	0.1	8.3	0.6	0.4	100	1	88	7	4
Total of above	**45.6**	**9.8**	**20.5**	**12.0**	**3.2**	**100**	**22**	**45**	**26**	**7**
End of 1961[r]										
Manufacturing	12.7	0.3	4.9	5.7	1.8	100	2	39	45	14
Petroleum and natural gas	6.4	0.1	1.6	4.0	0.7	100	2	26	63	9
Other mining and smelting	3.4	0.1	1.3	1.8	0.2	100	3	38	52	7
Railways	5.4	3.7	1.6	0.1	–	100	68	30	2	–
Other utilities	10.3	6.2	3.6	0.4	0.1	100	61	34	4	1
Merchandising[1] and construction	9.4	0.1	8.3	0.6	0.5	100	1	88	6	5
Total of above	**47.6**	**10.5**	**21.3**	**12.6**	**3.1**	**100**	**22**	**45**	**26**	**7**
End of 1962[r]										
Manufacturing	13.1	0.3	5.0	5.9	1.9	100	2	38	45	15
Petroleum and natural gas	6.9	0.1	1.7	4.3	0.8	100	2	24	63	11
Other mining and smelting	3.6	0.1	1.4	1.9	0.2	100	3	39	52	6
Railways	5.4	3.7	1.6	0.1	–	100	68	30	2	–
Other utilities	10.6	7.3	2.8	0.4	0.1	100	69	27	4	–
Merchandising[1] and construction	9.5	0.1	8.3	0.6	0.5	100	1	88	6	5
Total of above	**49.2**	**11.6**	**20.8**	**13.2**	**3.5**	**100**	**24**	**42**	**27**	**7**
End of 1963										
Manufacturing	13.7	0.1	5.3	6.3	1.9	100	1	39	46	14
Petroleum and natural gas	7.3	–	1.9	4.6	0.8	100	–	26	62	12
Other mining and smelting	3.8	0.1	1.5	2.0	0.3	100	1	40	52	7
Railways	5.3	3.7	1.5	0.1	–	100	69	29	2	–
Other utilities	12.2	8.3	3.4	0.4	0.1	100	68	28	4	–
Merchandising[1] and construction	9.8	0.1	8.6	0.7	0.5	100	1	87	7	5
Total of above	**52.1**	**12.2**	**22.2**	**14.0**	**3.6**	**100**	**24**	**42**	**27**	**7**

[1] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts.

About the figures –

DATA ON FOREIGN OWNERSHIP AND CONTROL IN THIS SERIES OF REPORTS AND IN ANNUAL REPORTS UNDER THE CORPORATIONS AND LABOUR UNIONS RETURNS ACT

Readers of this series of reports prepared in the Balance of Payments Section of the Dominion Bureau of Statistics (hereinafter identified as DBS) may wish to have a description of the character and relationship of the data on foreign ownership and control to somewhat similar data published in the Annual Reports under the Corporations and Labour Unions Returns Act (hereinafter identified as CALURA).

After making allowance for the qualifications attached to each series, their differences are not surprising and their results not contradictory. Each explores in a different way somewhat different groupings of corporations or enterprises (families of corporations). Each provides measures of the degree of prominence of foreign enterprises in the sectors of the Canadian economy covered.

Before discussing the reasons why different figures emerge in these reports, it may be pertinent to emphasize that both sets of series represent tabulations derived from balance sheet data classified or distributed in various ways according to the geographical origin of the capital, and are not presented as measures of behaviour.[1]

The four sections into which this note is arranged provide: (1) a listing of the principal differences between the CALURA and DBS series on foreign ownership and control; (2) an indication of the extent to which the series on non-resident control are reconcilable; (3) a statistical example illustrating the different treatments followed in the series; and (4) a reference list of technical notes on the series.

1. Principal Differences

(a) Concept. – The main diffirence between the two series is one of concept. Foreign ownership as used in this DBS report refers to the proportionate share of non-residents in the capital (at book value) of a corporation or group of corporations. Capital as used in the series covers long-term debt and equity (including retained earnings) employed in Canada. The CALURA report deals with each corporation as a whole; the **entire** corporation is assigned (by degree of ownership) on the basis of the ownership of the **voting** shares. For a corporation to be assigned to the group as "50 per cent non-resident-owned", for example, 50 per cent of the number of voting shares of the corporation would have to be non-resident-owned, but the entire corporation would be assigned to this category. In contrast, in the balance of payments series covering foreign ownership, only that part of the capital (including long-term debt) employed in Canada which is actually owned by non-residents is assigned as non-resident-owned. Foreign ownership in the balance of payments is therefore applied to a value series, while under CALURA it is a criterion of classification of companies. The concepts of foreign ownership as used in the two series are thus not comparable.

Some similarity between the sets of data exists in the area of foreign control. As used in the balance of payments reports this term is applied to value or ratio series where control of the capital of a corporation through its voting stock is the criterion of classification of the corporation. Similarly, foreign control in the CALURA series is a classification criterion applied to those corporations 50 per cent or more owned by non-residents as measured by the voting shares of the corporation (or the alternative series covering reporting corporations 50 per cent or more owned by non-residents together with their subsidiary corporations). In the balance of payments reports the value figure used is the total **capital** (long-term debt plus equity) employed in Canada, while the CALURA series uses total **assets** of the corporation as the value aggregate. These differences are described in greater detail later.

(b) Assets vis-à-vis Capital. – CALURA provides a classification of total assets basically by degree of non-resident ownership of the voting stocks of the corporation, either directly or through other Canadian corporations. An attempt has been made in Table II of the CALURA report for 1962 to provide comprehensive estimates of total assets for industry groups with which tabulated data may be compared. The DBS series for foreign control provides book values of long-term capital investment in Canada in corporate enterprises controlled by non-residents. Long-term investment includes both long-term debt and shareholders' equity. An attempt is made to provide comparable estimates for the book values of all long-term forms of investment in Canada for selected industry groups.

(c) Industrial Classification. – In the CALURA data the company is the unit used for industrial classification while the enterprise (or family of companies) is the unit in the DBS series. Even where there are apparent similarities in the industrial descriptions employed the resulting data will therefore not be fully comparable.

(d) Consolidations. – The CALURA data are gross in the sense that they include intercorporate items between Canadian parent companies and their subsidiaries. The DBS series are net in the sense that the enterprise concept eliminates intercorporate items between Canadian parent companies and their subsidiaries, and follow consolidated statements. Furthermore these consolidations sometimes reflect accounting adjustments and allocations beyond the mechanical process of intercorporate eliminations.

(e) Foreign Investments. – CALURA data are gross in the sense that they include investments outside Canada to the extent such investments are held by the Canadian corporate entity. Assets held by foreign incorporated subsidiaries are excluded from the data but the equity and debt investment by the parent in these operations is reflected in the assets of the parent in Canada. The DBS series are adjusted to exclude investment outside Canada.

(f) Exemptions. – The CALURA series are subject to statutory exemptions of some companies by reason of size or other characteristics and estimates for these exemptions are contained in the 1962 report only in Table II in which the assumption is implicit that less than 50 per cent of their voting stock is held by non-residents.

[1] It should also be noted that accounting practices vary widely, and that there are some grounds for believing that the practices of private companies may tend to differ from those of public companies. Private companies are more prevalent among the large companies which are foreign-controlled than among those which are controlled in Canada. To the extent that the practices show any consistent variation, a bias may be imparted to any percentage series derived from financial data.

(g) Degree of Control. — The CALURA series classified corporations according to the degree of non-resident ownership of the voting shares of the corporation and control by non-residents can only be inferred for that group of corporations, 50 per cent or more owned by non-residents. The DBS series however includes a small number of companies as non-resident-controlled in which control may be exercised without majority ownership, and correspondingly excludes a small number of companies whose majority ownership rests with non-residents but in which control may be exercised by residents.

(h) Nominee Holdings. — Another point of difference which is not likely to be as important on balance is the degree of success achieved under each of the statistical systems in identifying non-resident ownership masked through the use of Canadian nominees.

2. Reconciliation of the CALURA Series and DBS Series on Non-resident Control

A precise reconciliation of the CALURA series and the DBS series bearing on non-resident control is not feasible at this time. However, the percentages found in Table II of the CALURA Report for 1962 covering assets held by reporting corporations more than 50 per cent non-resident-owned and those for foreign-control in 1962 appearing in this report would correspond provided the following conditions existed:

(a) the reporting corporations more than 50 per cent non-resident-owned were in no way different, relatively, to the universe in respect of their short-term liabilities;

(b) the reporting corporations more than 50 per cent non-resident-owned were in no way different, relatively, to the universe in respect of their assets representing claims on or ownership of subsidiaries in Canada;

There is only fragmentary evidence of the combined effect of including or excluding short-term liabilities from the series and of possible distortion of the CALURA series because of the compounding of intercorporate items within an enterprise. From Tables A, B, C and D on pages 97 and 98 of the CALURA report for 1962, it can be established that the ratio of assets to equity among reporting corporations 50 to 100 per cent owned by non-residents and their subsidiary companies was 1.78, while in the case of reporting corporations less than 50 per cent owned by non-residents and their subsidiary corporations it was 2.12 per cent. This marked disparity could reflect both different corporate structures and lower dependence by non-resident-controlled concerns on bank loans and short-term debt. It may be noted that investments in affiliates represent a substantial item in "Taxation Statistics," but little is yet known about differences, if any, in corporate structure of foreign and domestically controlled enterprises in Canada. To the extent that the differences cited reflected only differing uses of subsidiary organizations by reporting corporations the percentage 24.8 appearing in Table II for 1962 could have been affected by about 2 percentage points.

(c) the totals were confined to the same industry groups or that the CALURA data for agriculture and services (which are not among the areas of national wealth covered in the DBS series) had broadly the same ownership characteristics, as a group, as the other industry groups;

If agriculture (which is valued at market rather than depreciated cost as in the other industry groups) and services are excluded, from the CALURA series, the percentage of gross assets held by corporations reporting under CALURA which are more than 50 per cent non-resident-owned rises sharply from 25 per cent to 30 per cent. It may be noted that any ratios must be derived from reasonably consistent industry groups, and that depending upon the framework of integration the area covered may be widened or narrowed. Some comments on a full approach will be found in the final paragraph of the note on page 63 of the 1960 balance of payments report.

CALURA series are also provided for the finance group but are not aggregated with other industry groups, since the assets of this industry largely represent claims on other business organizations already reflected in their assets, or claims on the government, personal or external sectors.

(d) the reporting corporations more than 50 per cent non-resident-owned were in no way different, relatively, to the universe in respect of their assets outside Canada;

Canadian direct investment abroad of $2,821 million at the end of 1962 as shown in balance of payments series included $1,131 million by Canadian companies controlled outside Canada. These figures are based on the values on the balance sheets of the foreign subsidiaries etc. rather than the values at which they are included in assets as reported under CALURA. In any event, their exclusion to arrive at assets in Canada, however valued, would not appear likely to alter the ratios significantly.

(e) there were no companies exempt under CALURA which were more than 50 per cent owned by non-residents;

In principle, the 4,137 reporting corporations and their subsidiary corporations shown in Tables A and B on page 97 of the CALURA report for 1962 correspond closely to the group of about 7,650 concerns classified as foreign-controlled in this report; the difference should be a numerical reflection of exemptions under CALURA.

Apart from the material which is presented in Part C (pp. 96-99) of the CALURA report, the CALURA data classify reporting corporations by degree of non-resident ownership. The group more than 50 per cent non-resident-owned does not correspond to corporations 50 per cent or more owned by non-residents and their subsidiary corporations, but the differences are on balance not large; total assets varied between $27.2 billion and $26.9 billion, total equity between $15.3 billion and $14.7 billion.

It is not possible to produce estimates corresponding to the CALURA items for the substantial number of small companies which appear to have been exempt, nor is it known to what extent their inclusion would have shifted the ratios.

(f) the assets in corporations more than 50 per cent non-resident-owned which residents were in a position to control were equal to the assets in corporations 50 per cent or less non-resident-owned which non-residents were in a position to control.

The extent to which this is the case cannot be established at this time, but the amount of discrepancy is probably not large.

3. Statistical Example

The balance sheets which follow are presented as the basis for a highly simplified exercise in the application of the various statistical procedures employed.

Item	Unconsolidated				Consolidation entries	A Consolidated
	Canadian company			Foreign company		
	A	B	C	D		
Current assets	350	75	75	50	–	550
Investments in subsidiaries:						
B	250				– 250	
C	120				– 120	
D	200				– 200	
Fixed assets	1,000	500	650	500		2,650
Less depreciation	– 720	– 175	– 225	– 100		– 1,220
Total assets	**1,200**	**400**	**500**	**450**	**– 570**	**1,980**
Current liabilities	250	50	50	50		400
Long-term debt	350	100	100		– 50	500
Of which:						
Owned by A		(50)			(– 50)	
Owned by non-residents	(200)	(50)				(250)
Minority interest in subsidiaries					140	140
Capital	500	200	200	200	– 600	500
Of which:						
Owned by A		(200)	(120)	(200)	(– 520)	
Owned by non-residents	(375)					(375)
Earned surplus	100	50	150	200	– 60	440
Total liabilities	**1,200**	**400**	**500**	**450**	**– 570**	**1,980**

Corporations and Labour Unions Returns Act. – Under CALURA separate returns would be filed by companies A, B and C (unless in an exempt class). Processing would yield the following results:

	Degree of non-resident ownership (per cent)	Total assets	Total equity
Company:			
A	75	1,200	600
B	75	400	250
C	45	500	350

(Degree of non-resident ownership represents the proportion of voting stock held by non-residents, directly or beneficially through other Canadian corporations.) Each of these companies could be attributed to a different industry classification but the total impact of them on the CALURA series would be as follows:

	Total assets	Total equity
Degree of non-resident ownership:		
75 - 94.9 per cent	1,600	850
25 - 49.9 per cent	500	350
Totals	**2,100**	**1,200**

From the balance sheets it may be noted that on a consolidated basis (i.e. exclusive of the double counting of intercorporate items) the assets of companies A, B and C would aggregate only 1,730 (including 200 invested outside Canada in Company D). The consolidated equity would total 880 (which might also be considered to include some capital employed outside Canada).

DBS Balance of Payments Section Series. – The non-resident owners of Company A are in an unequivocal position to control companies A, B and C and these are all classified as foreign-controlled notwithstanding the fact that the degree of non-resident ownership in C is less than 50%. The measure used is long-term capital employed in the enterprise less the element outside Canada; in other words the value of long-term investment in Canada. This measure would in practice be constructed mainly from the consolidated values for A, as follows:

Long-term debt	500
Minority interest	140
Capital stock	500
Earned surplus	440
Sub-total	**1,580**
From this would be deducted the long-term capital employed outside Canada, in this case the equity in Company D	400
The value established for long-term investment in Canada in enterprise A would therefore be established as	1,180

Neither the CALURA series nor the DBS series for control involves apportioning investment between resident and non-resident sources. The statistical unit as a whole is first classified (as to degree of non-resident ownership or as to control); each series then proceeds to tabulate differing measures (e.g. total assets, total equity, long-term investment in Canada).

On the other hand DBS series for foreign ownership measures sources of capital. For this purpose the value attributed to foreign long-term investment in Canada in enterprise A would be calculated as follows:

Long-term debt held by non-residents	250
Equity held by non-residents (75% of 500 + 440)	705
Less:	
Equity of non-residents in Company D (75% of 400)	
Total foreign long-term investment in Canada in enterprise A	**655**

The Canadian-owned investment in the enterprise in Canada would be 525. DBS tabulations would attribute the various values entirely to the industry representing the principal activity of companies A, B and C, in this case probably the industry of A.

Percentage series for foreign control and ownership are obtained by relating the value data to corresponding estimates for the whole industry.

4. Reference List of Technical Descriptions

The principal technical descriptions which will be useful in a comprehensive study of the relationship of data collected under the Corporations and Labour Unions Returns Act with series produced in the Balance of Payments Section of the DBS are listed below.

Scattered throughout each of the sources is a good deal of descriptive material to assist readers in recognizing the limitations of the data and the difficulties of interpreting them.

"CALURA: Report for 1962":

(a) Note to Table I on page 17, which indicates that throughout the report all totals are derived from the addition of items appearing on the balance sheets or income statements of individual corporations, and therefore reflect the inclusion of substantial intercorporate financial items which would be eliminated in a consolidation of the corporate sector of the economy.

(b) Note 3 on page 18, which provides a highly synoptic description of the statistical processes used in the report and summarizes the principal sources of difference between them and related DBS series.

(c) Parts B and C of Appendix B (Reporting Requirements, Concepts and Definitions) on pages 93 to 99, which describe the concept and measurement of degree of non-resident ownership of corporations reporting under the Act, majority control without majority ownership of voting shares of corporations in Canada, and nominee shareholders.

DBS "The Canadian Balance of International Payments and International Investment Position":

(d) Statistical note on pages 55 and 56 of the issue for 1960, which describes the industrial classification of enterprises.

(e) Statistical note on pages 62 and 63 of the issue for 1960, which describes the estimates of the value of total capital and resident-owned capital in some areas of national wealth.

(f) Statistical note on pages 95 to 97 of the issue for 1961 and 1962, which describes the concepts of foreign ownership and control as used in the report.

Manufacturing Operations in Canada of Foreign-controlled Enterprises

A new survey covering 1961 confirms the importance in the Canadian manufacturing industry of foreign-controlled enterprises, as well as the important role which foreign investment plays in total Canadian economic activity[11]. According to the survey's findings, in 1961, 1,464 foreign-controlled manufacturing establishments representing the bulk of foreign-controlled investment in Canadian manufacturing and comprising 4.5 per cent of all manufacturing establishments in Canada, accounted for 29.4 per cent of all employment provided, 34.5 per cent of all salaries and wages paid, and 40.4 per cent of all factory shipments made by Canadian manufacturing establishments. Regionally, the relative importance of foreign-controlled plants was greatest in Ontario, where their shipments represented 48 per cent of total shipments and lowest in British Columbia, where 27 per cent of shipments came from foreign-controlled plants. Foreign control varied much more widely by industrial group; the selling value of foreign-controlled factory shipments ranged from 2.3 per cent of the clothing industries' total to 89.9 per cent of the total for the petroleum and coal products' industries.

The selected United States-controlled manufacturing establishments numbered 1,104 (3.4 per cent of manufacturing establishments) and accounted for factory shipments valued at $7,896 million or some 46 per cent more than the corresponding figure of $5,420 million for 1953. This represented almost 33 per cent of 1961 shipments by all manufacturing establishments or nearly 3 percentage points more than in 1953. The 289 establishments controlled in the United Kingdom constituted 0.9 per cent of all

[11] The results of the 1961 survey together with those of the 1946 and 1953 surveys are shown in Tables XVII A to XX E. Supplementary data are published in the summary statements accompanying this section of the report. It will be noted that the tables are divided into four main groups. In addition to giving an indication of the degree of coverage provided in the three surveys Tables XVII A to XVII E show investment and production data classified according to principal activity of the enterprise. The remaining tables show production data only. In Tables XVIII A and XVIII B these data are classified by geographic regions of Canada, in Tables XIX A to XIX C, by establishment and twenty industry grouping and in Tables XX A to XX E, by establishment and nine industry grouping.

establishments and gave rise to factory shipments valued at $1,568 million or 6.5 per cent of all Canadian factory shipments. Shipments of $327 million (1.3 per cent of total factory shipments) originated with the 71 establishments controlled in all other foreign countries.

On average, the selected foreign-controlled enterprises provided more employment per establishment, higher wages and salaries, and a higher output per employee than the average for all manufacturing industry. Selected establishments controlled in the United States, the United Kingdom and other foreign countries had, an average, 258, 267, and 153 employees, respectively, compared with the industry average of 39; paid salaries and wages per employee of $4,889, $4,661, and $4,805, respectively (the industry average was $4,136) and had shipments per employee of $27,758, $20,329, and $30,212 compared with the industry-wide figure of $19,165. The value added by manufacture per employee averaged $11,999, $9,406 and $11,904 respectively for enterprises controlled in the United States, United Kingdom and other countries compared with an average of $8,445 for all enterprises.

In part, these differences[12] probably reflect the generally higher capital intensity of the foreign-controlled enterprises covered in the survey, with the possibility that their manufacturing operations include a higher degree of vertical integration and are more concentrated in those industries which call for large amounts of capital. It is also likely that there is a concentration of foreign interest in the larger firms with greater potential. There is, naturally, relatively little foreign ownership in industries characterized by large numbers of small establishments that make up a significant part of industrial operations. (In fact, ten such industries – saw-mills, bakeries, butter and cheese plants, pasteurizing plants, feed manufacturers, men's and women's clothing factories, printing and publishing, printing and bookbinding, and household furniture – seven of which are among the 20 leading industries – together account for 40 per cent of the total number of manufacturing establishments.)

In 1961 aggregate investment in Canadian manufacturing industry by United States-controlled manufacturing enterprises averaged $18,600 per employee engaged in manufacturing or some 92 per cent more than the $9,700 per employee average for the whole industry. Aggregate investment per employee by United Kingdom and other foreign-controlled manufacturing enterprises averaged $17,500 and $40,300.[13]

Although it was necessary to limit the survey in 1961, as in 1946 and 1953, to a study of foreign-controlled enterprises with an aggregate investment in Canada of $1 million or more (book value), as it was not practical to trace individually the controlling interest in each of 32,000 or so manufacturing establishments in Canada, the general increase in the size of enterprises together with price changes has made coverage more complete in 1961. In 1961 there were 578 selected foreign-controlled manufacturing enterprises in Canada, of which 465, 86 and 27 were controlled in the United States, United Kingdom and other foreign countries, respectively. They constituted almost 95 per cent of aggregate foreign-controlled investment in Canadian manufacturing industries.

The percentage of aggregate investment in United States-controlled manufacturing companies covered by the selected enterprises was somewhat higher in 1961 at 94 per cent than in both 1953, when the 303 enterprises falling within this category constituted 90 per cent of the total, and 1946, when 150 enterprises constituted 81 per cent of the total. The selected companies controlled in the United Kingdom and other foreign countries in 1961 formed 96.8 per cent and 95.5 per cent of their respective totals.

The proportion of total foreign-controlled investment in the manufacturing industry covered by these larger enterprises in 1961 varied from 78 per cent in the case of miscellaneous manufactures to almost 98 per cent in the case of wood paper products.[14] The coverage of United States-controlled enterprises in 1961 ranged from 77 per cent (textiles) to 98 per cent (wood and paper products) compared with a range of 68 per cent (textiles) to 96 per cent (non-ferrous metals) in 1953 and with a range of 37 per cent (textiles) to 90 per cent (animal products and non-ferrous metals) in 1946.

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[12] Unfortunately, it was not possible to assemble information relating to the Canadian-controlled enterprises with an aggregate investment of between $1 million and $25 million. Corresponding comparisons for the over $25 million capital group on p. 89 present a more meaningful picture because the averages per establishment relate to the same size group for both foreign and Canadian-controlled enterprises. It is to be expected that establishment averages for foreign-controlled enterprises will be much greater when they are compared to averages for the total universe irrespective of size considerations.

[13] It has not been possible to make the production and investment data, from which these averages have been calculated, entirely compatible. In general, the production data published in this report relate to the operations of the manufacturing establishments of both manufacturing and non-manufacturing enterprises. With the exception of averages of investment per employee and per establishment, all the averages published here are compiled on this basis. In the case of the investment averages, it is considered more appropriate to exclude details of the manufacturing establishments of non-manufacturing enterprises, as the investment data pertain to manufacturing enterprises only. It will also be noted that the investment data include amounts of investment in non-manufacturing activities by manufacturing enterprises.

[14] Details of coverage are available for the nine principal manufacturing activities only (Tables XVII A to XVII E). For the 20 industry groups and individual industries the range of coverage may vary more widely.

The 1961 survey also provides fuller coverage of the manufacturing establishments of those foreign-controlled enterprises which were principally engaged in non-manufacturing activities.

Capital Size Structure. – Statements 70 to 72, which give details of the manufacturing operations of Canadian and foreign-controlled establishments in 1961, by size of aggregate investment and country of control, draw attention to the great importance to the Canadian manufacturing industry of enterprises with an aggregate investment in Canada of over $25 million and to the importance of foreign-controlled enterprises, and United States-controlled enterprises in particular, to this capital size grouping.

Statement 73[15] classifies United States-controlled manufacturing enterprises in Canada at the end of 1946, 1953, and 1960 by size of investment while Statement 74 classifies all foreign-controlled enterprises in Canada at the end of 1960 according to size of investment, country of control and principal activity.

[15] Statements 73 and 74 revise data first published in Statement 41 and Statements 39-48, respectively, of "The Canadian Balance of International Payments, 1961 and 1962, and International Investment Position".

STATEMENT 70. Selected Data relating to Aggregate Investment in Enterprises whose Principal Activity is Manufacturing, End of 1960

Aggregate investment in Canada	Enterprises	Aggregate investment[1]		
		Total	Average per manufacturing establishment	Average per employee engaged in manufacturing
	No.	millions of dollars	$'000	
More than $25 million, controlled in:				
United States	37	3,000	9,868	22.1
United Kingdom	11	960	7,330	21.4
Other foreign countries	4	192	23,947	144.0
Sub-totals, outside Canada	**52**	**4,152**	**9,371**	**22.8**
Canada	33	2,859	6,601	18.9
Totals, all enterprises	**85**	**7,011**	**8,002**	**21.0**
$1 to $25 million, controlled in:				
United States	428	1,815	2,525	14.7
United Kingdom	75	356	2,578	11.8
Other foreign countries	23	157	3,087	21.4
Sub-totals, outside Canada	**526**	**2,328**	**2,564**	**14.4**
More than $1 million, controlled in:				
United States	465	4,815	4,707	18.6
United Kingdom	86	1,316	4,892	17.5
Other foreign countries	27	349	5,915	40.3
Totals, outside Canada	**578**	**6,480**	**4,796**	**18.9**
Totals, all manufacturing enterprises	**..**	**12,247**	**378**	**9.7**

[1] These figures include details of investment by the manufacturing enterprises in non-manufacturing activities.

STATEMENT 71. Totals and Averages per Establishment and Employee for Principal Statistics of Manufacturing for Selected Foreign-controlled Enterprises, 1961[1]

Classification by size of aggregate investment in Canada and country of control

Item		Enterprises with an aggregate investment in Canada					
		More than $25 million controlled in					
		United States	United Kingdom	Other foreign countries	All foreign countries	Canada	All countries
Establishments	No.	364	134	12	510	474	984
Total employees	"	159,409	45,302	2,034	206,745	169,152	375,897
Average per establishment	"	438	338	170	405	357	382
Total salaries and wages	$ million	840	218	12	1,070	823	1,893
Average per establishment	$'000	2,308	1,632	968	2,099	1,735	1,924
Average per employee	$	5,270	4,829	5,711	5,177	4,863	5,036
Value added by manufacture	$ million	2,086	447	35	2,568	1,860	4,428
Average per establishment	$'000	5,731	3,339	2,881	5,036	3,924	4,500
Average per employee	$	13,087	9,877	16,998	12,422	10,997	11,781
Selling value of factory shipments	$ million	5,208	997	121	6,326	4,290	10,616
Average per establishment	$'000	14,306	7,446	10,060	12,404	9,050	10,788
Average per employee	$	32,668	22,023	59,349	30,598	25,360	28,241

Item		Enterprises with an aggregate investment in Canada								All enterprises
		$1 million to $25 million controlled in				More than $1 million controlled in				
		United States	United Kingdom	Other foreign countries	All foreign countries	United States	United Kingdom	Other foreign countries	All foreign countries	
Establishments	No.	740	155	59	954	1,104	289	71	1,464	32,415
Total employees	"	125,035	31,841	8,792	165,668	284,444	77,143	10,826	372,413	1,264,946
Average per establishment	"	169	205	149	174	258	267	153	254	39
Total salaries and wages	$ million	551	141	40	732	1,391	359	52	1,802	5,231
Average per establishment	$'000	774	908	685	767	1,260	1,244	733	1,231	161
Average per employee	$	4,403	4,422	4,596	4,417	4,889	4,661	4,805	4,839	4,136
Value added by manufacture	$ million	1,327	278	94	1,699	3,413	725	129	4,267	10,682
Average per establishment	$'000	1,793	1,795	1,598	1,781	3,092	2,511	1,815	2,915	330
Average per employee	$	10,611	8,736	10,726	10,257	11,999	9,406	11,904	11,459	8,445
Selling value of factory shipments	$ million	2,688	571	206	3,465	7,896	1,568	327	9,791	24,243
Average per establishment	$'000	3,632	3,681	3,498	3,632	7,152	5,427	4,607	6,688	748
Average per employee	$	21,498	17,919	23,471	20,915	27,758	20,329	30,212	26,291	19,165

[1] Including the manufacturing operations of selected enterprises principally engaged in non-manufacturing activities.

STATEMENT 72. Statistics of Manufacturing Operations of Canadian and Selected Foreign-controlled Establishments, 1961

Classification by size of aggregate investment and country of control

Aggregate investment in Canada	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Percentage of all Canadian manufacturing establishments					
							Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
	number		millions of dollars				per cent					
More than $25 million, controlled in:												
United States	364	159,409	840	3,010	2,086	5,208	1.1	12.6	16.1	22.9	19.5	21.5
United Kingdom	134	45,302	218	528	447	997	0.4	3.6	4.2	4.0	4.2	4.1
Other foreign countries	12	2,034	12	84	35	121	0.1	0.1	0.2	0.7	0.3	0.5
Subtotals, outside Canada	**510**	**206,745**	**1,070**	**3,622**	**2,568**	**6,326**	**1.6**	**16.3**	**20.5**	**27.6**	**24.0**	**26.1**
Canada	474	169,152	823	2,314	1,860	4,290	1.4	13.4	15.7	17.6	17.5	17.7
Totals, all enterprises	**984**	**375,897**	**1,893**	**5,936**	**4,428**	**10,616**	**3.0**	**29.7**	**36.2**	**45.2**	**41.5**	**43.8**
$1 million to $25 million, controlled in:												
United States	740	125,035	551	1,336	1,327	2,688	2.3	9.9	10.5	10.2	12.4	11.1
United Kingdom	155	31,841	141	284	278	571	0.5	2.5	2.7	2.2	2.6	2.4
Other foreign countries	59	8,792	40	110	94	206	0.1	0.7	0.8	0.8	0.9	0.8
Subtotals, outside Canada	**954**	**165,668**	**732**	**1,730**	**1,699**	**3,465**	**2.9**	**13.1**	**14.0**	**13.2**	**15.9**	**14.3**
More than $1 million, controlled in:												
United States	1,104	284,444	1,391	4,346	3,413	7,896	3.4	22.5	26.6	33.1	31.9	32.6
United Kingdom	289	77,143	359	812	725	1,568	0.9	6.1	6.9	6.2	6.8	6.5
Other foreign countries	71	10,826	52	194	129	327	0.2	0.8	1.0	1.5	1.2	1.3
Totals, outside Canada	**1,464**	**372,413**	**1,802**	**5,352**	**4,267**	**9,791**	**4.5**	**29.4**	**34.5**	**40.8**	**39.9**	**40.4**
Canada Less than $1 million, controlled in: All countries	30,951	892,533	3,429	7,776	6,415	14,452	95.5	70.6	65.5	59.2	60.1	59.6
Totals, all enterprises	**32,415**	**1,264,946**	**5,231**	**13,128**	**10,682**	**24,243**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

Enterprises with an Aggregate Investment of Over $25 Million. — A large proportion of the investment in foreign-controlled as well as in Canadian-controlled manufacturing enterprises is concentrated in relatively few concerns. At the end of 1960 out of the total of $6.8 billion invested in foreign-controlled manufacturing enterprises, (exclusive of the integrated petroleum industry) nearly $4.2 billion or 61 per cent was attributable to 52 concerns, each with an aggregate investment in Canada of over $25 million. The book value of investment in the 33 very large Canadian-controlled manufacturing enterprises amounted to $2.9 billion or about 53 per cent of aggregate Canadian-controlled investment.

However, United States and United Kingdom-controlled investment in manufacturing enterprises was more heavily concentrated in very large concerns than was either Canadian or other foreign-controlled investment. At the end of 1960 the 37 very large concerns controlled in the United States comprised $3.0 billion or 59 per cent of the total of $5.1 billion invested in United States-controlled manufacturing enterprises in Canada. Nearly 71 per cent, or $1.0 billion, of the aggregate investment in United Kingdom-controlled manufacturing enterprises was provided by the 11 United Kingdom-controlled concerns which came within this capital size group, while 52 per cent or $0.2 billion of the aggregate investment in manufacturing enterprises controlled in other foreign countries came from 4 concerns in this group.

It is not surprising that a greater proportion of the investment in foreign, than in Canadian, controlled manufacturing enterprises falls into this category. Foreign enterprises wishing to invest in, or trade with, Canada (and this often leads to investment) face various barriers, such as distance and communication difficulties, differences in business practices and marketing techniques, which place the large enterprise, because of its greater resources, at an advantage over the smaller. Because of United States' proximity to Canada, the similarity of many

of the commercial practices and institutions of the two countries, the widespread influence of United States advertising and consumption patterns on the Canadian market, etc., these barriers are far less important to United States than to United Kingdom enterprises, and this, together with historical factors may explain the much higher concentration of United Kingdom investment in the very large manufacturing enterprises. Investment in manufacturing enterprises controlled in other foreign countries, however, does not appear to conform quite so easily with this explanation. Other foreign investment in very large manufacturing enterprises, at 52 per cent of the total was lower than the Canadian figure. However, other foreign investment in manufacturing enterprises with an aggregate investment in Canada of over $10 million at the end of 1960 constituted over 80 per cent of total investment in manufacturing enterprises by other foreign countries, or only slightly lower than the corresponding figure of 83 per cent for the United Kingdom and some 9 percentage points higher than the equivalent United States figure.

The comparative importance of investment in United States-controlled manufacturing enterprises with an aggregate investment in Canada of over $25 million has arisen sharply since 1946 and 1953. In 1946 only 8 United States-controlled concerns came within this group and they covered 32 per cent of the total investment in United States-controlled manufacturing enterprises. At the end of 1953, 22 United States-controlled concerns accounted for nearly 53 per cent of the total, and by 1960, there were, of course, 37 enterprises accounting for 59 per cent of the total.

The increase in the value of United States-controlled investment in this category between 1953 and 1960 approximated $1.4 billion. In part, this reflects the addition of $0.7 billion representing the value at the end of 1960 of 14 enterprises each valued at $25 million or less in 1953 and the formation of one new enterprise since 1953. An additional $0.1 billion or so of the increase stemmed from United States acquisition of three enterprises which, in 1953, were controlled in Canada and had an aggregate investment of more than $25 million. The rest of the increase ($0.6 billion) came principally from retention of earnings and new capital raised by the 19 concerns remaining in this category since 1953. (Of the 22 original concerns in the group, control of one was acquired by Canadian residents and two were merged with other concerns in the group between 1953 and 1960.)

In 1961, although constituting only 3 per cent of Canada's 32,415 manufacturing establishments, the 984 establishments of enterprises (both foreign and Canadian-controlled) with an aggregate investment in Canada of more than $25 million provided 29.7 per cent of all employment, 36.2 per cent of all salaries and wages paid, and 43.8 per cent of the factory shipments, of Canadian manufacturing industry. As might be expected, salaries and wages paid by establishments in this group, at $5,036 per employee, were significantly higher than the manufacturing industry average of $4,136 but in total represented only 42.7 per cent of value added by manufacture compared with the industry average of 49.0 per cent, presumably reflecting higher capital intensity.

The average number of employees per establishment at 382 was almost ten times the industry average of 39, and value added per employee was also appreciably higher ($11,781 compared with $8,445). The aggregate investment per employee engaged in manufacturing, at $21,000, was more than double the industry average of $9,700;[16] this may, in part, reflect the existence of highly integrated concerns whose operations extend vertically into non-manufacturing activities, although it should be noted that the large manufacturing establishments of petroleum and mining, whose value is excluded, are highly capital intensive.

Establishments controlled in Canada which numbered 474 and represented 48.2 per cent of establishments in this category accounted for only 42.0 per cent of value added by manufacture and 40.4 per cent of factory shipments by the group. Foreign-controlled establishments comprised 51.8 per cent of the group total but produced $6,326 million of shipments (59.6 per cent of total shipments from establishments in this group or 26.1 per cent of total Canadian factory shipments).

The 364 United States-controlled establishments in the group accounted for 42.4 per cent of total employment provided by the largest enterprises, or 2.6 percentage points less than Canadian-controlled establishments, but registered 47.1 per cent of the value added and 49.1 per cent of factory shipments or 5.1 and 8.7 percentage points respectively more than the Canadian-controlled establishments. Establishments controlled in the United Kingdom and other foreign countries represented 13.4 per cent and 1.0 per cent respectively of establishments in this category but produced only 10.1 per cent and 0.8 per cent, respectively, of value added.

On average, United States-controlled establishments in this group had more employees, paid higher salaries and wages, and achieved a higher value of output per employee and per establishment than either their Canadian or United Kingdom-controlled counterparts. United States-controlled establishments had on average some 438 employees, compared with the Canadian 357 and United Kingdom 338 (and 39 for all manufacturing establishments); paid $5,270

[16] See footnote 13, p. 85.

in salaries and wages per employee compared with the $4,863 and $4,829 per employee paid respectively by the Canadian and United Kingdom-controlled establishments (and the manufacturing industry average of $4,136); and the value added by their manufacturing activities was $13,087 per employee compared with figures of $10,997, $9,877 and $8,445 respectively for Canada, the United Kingdom and all manufacturing industry. On average, however, establishments controlled in other foreign countries paid higher wages ($5,711) per employee and achieved a higher net product per employee ($16,998) but had fewer employees (170) than their United States, United Kingdom and Canadian-controlled counterparts. Establishments of manufacturing enterprises controlled in other foreign countries had an aggregate investment per employee engaged in manufacturing of $144,000 or over 6 times the United States average investment per employee of $22,100. The United Kingdom average was a slightly lower, at $21,400, while the Canadian figure of $18,900 was the lowest of the four categories.[17]

[17] See footnote 13 p. 85.

STATEMENT 73. United States-controlled Manufacturing Enterprises[1] in Canada, Selected Year Ends, 1946-60

Classification by size of investment

Aggregate investment in Canada	Enterprises			Aggregate investment in Canada			United States ownership		
	1946	1953	1960	1946	1953	1960	1946	1953	1960
	Number			Millions of dollars					
More than $25 million	8	22	37	464	1,634	3,000	329	1,084	2,438
$10 to $25 million	22	29	42	362	401	639	331	370	556
1 to 10 million	118	251	386	340	749	1,176	331	699	1,106
Less than $1 million	742	855	1,039	300	315	287	272	294	248
Totals	**890**	**1,157**	**1,504**	**1,466**	**3,099**	**5,102**	**1,263**	**2,447**	**4,348**
	Per cent								
More than $25 million	1	2	2	32	53	59	26	44	56
$10 to $25 million	3	2	3	25	13	12	26	15	13
1 to 10 million	13	22	26	23	24	23	26	29	25
Less than $1 million	83	74	69	20	10	6	22	12	6
Totals	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1] Data exclude petroleum refiners shown elsewhere.

STATEMENT 74. Foreign-controlled Enterprises in Canada, End of 1960[1]

Classification by principal activity, country of control, and size of investment.

Item	Manufacturing, controlled in				Petroleum and natural gas, controlled in			Mining and smelting, controlled in		
	United States[r]	United Kingdom[r]	Other foreign countries	All foreign countries	United States[r]	United Kingdom and other foreign countries	All foreign countries	United States	United Kingdom and other foreign countries	All foreign countries
	Number									
Enterprises:										
More than $25 million	37	11	4	52	26	4	47	13	4	29
$10 to $25 million	42	11	6	59	18			12		
1 to $10 million	386	64	17	467	69	14	83	50	14	64
Less than $1 million	1,039	108	55	1,202	92	12	104	158	19	177
Totals	**1,504**	**194**	**82**	**1,780**	**205**	**30**	**234**	**233**	**37**	**270**
	Millions of dollars									
Aggregate investment:										
More than $25 million[2]	3,000	960	192	4,152	3,281	532	4,077	1,313	224	1,762
$10 to $25 million	639	162	102	903	264			225		
1 to $10 million	1,176	194	55	1,425	271	36	307	172	42	214
Less than $1 million	287	43	17	347	41	5	46	40	7	47
Totals	**5,102**	**1,359**	**366**	**6,827**	**3,857**	**573**	**4,430**	**1,750**	**273**	**2,023**
Direct investment:										
More than $25 million	2,438	465	100	3,003	2,413	389	3,029	1,034	56	1,256
$10 to $25 million	556	116	64	736	227			166		
1 to $10 million	1,106	151	47	1,304	222	35	257	118	31	149
Less than $1 million	248	36	15	299	23	4	27	30	4	34
Totals	**4,348**	**768**	**226**	**5,342**	**2,885**	**428**	**3,313**	**1,348**	**91**	**1,439**

Item	Utilities (excluding pipelines), controlled in all foreign countries	Merchandising, controlled in all foreign countries	Financial, controlled in all foreign countries	Other, controlled in all foreign countries	All enterprises in Canada, controlled in			
					United States	United Kingdom	Other foreign countries	All foreign countries
	Number							
Enterprises:								
More than $25 million	4	7	11	4	92	16	7	113
$10 to $25 million	5	7	16		92	16	14	122
1 to $10 million	36	106	179	70	712	185	88	985
Less than $1 million	60	1,093	465	515	2,780	519	308	3,607
Totals	**105**	**1,213**	**671**	**589**	**3,676**	**736**	**417**	**4,827**
	Millions of dollars							
Aggregate investment:								
More than $25 million[2]	350	402	956	69	9,015	1,705	556	11,276
$10 to $25 million	76	114	241		1,441	226	232	1,899
1 to $10 million	131	273	539	193	2,244	528	240	3,012
Less than $1 million	20	195	168	101	665	180	76	921
Totals	**577**	**984**	**1,904**	**363**	**13,365**	**2,639**	**1,104**	**17,108**
Direct investment:								
More than $25 million	107	258	681	25	6,825	813	360	7,998
$10 to $25 million	61	89	167		1,163	152	160	1,475
1 to $10 million	108	245	469	155	1,992	431	203	2,626
Less than $1 million	9	165	147	92	569	139	65	773
Totals	**285**	**757**	**1,464**	**272**	**10,549**	**1,535**	**788**	**12,872**

[1] This statement revises the 1960 figures published in "The Canadian Balance of International Payments, 1961 and 1962, and International Investment Position", (DBS Catalogue No. 67-201 Annual) in Statements 39 to 48 where figures for 1946 and 1953 are also published.

[2] At the end of 1960, aggregate investment in private and government enterprises controlled in Canada with an aggregate investment in Canada of over $25 million was as follows:

	Manufacturing	Petroleum and natural gas	Mining and smelting	Utilities	Merchandising	Financial	Other
	millions of dollars						
Private enterprises	2,630	892	565	4,367	610	3,148	..
Government enterprises	229	128	66	8,643	27	—	..

Enterprises with an Aggregate Investment of $1 Million to $25 Million. – The 526 foreign-controlled manufacturing enterprises which had an aggregate investment in Canada of between $1 million and $25 million at the end of 1960 provided $2.3 billion or 34 per cent of the total of $6.8 billion invested in foreign-controlled manufacturing enterprises. The 954 establishments of foreign-controlled enterprises[18] in this capital size group, representing 2.9 per cent of all Canadian manufacturing establishments, gave rise to 13.1 per cent of the employment, 14.0 per cent of salaries and wages, 15.9 per cent of the value added by manufacture, and 14.3 per cent of factory shipments provided by the Canadian manufacturing industry. Although, on average, the number of employees per establishment (174); average salaries and wages paid per employee ($4,417); value added ($10,257) and factory shipments ($20,915) per employee were appreciably lower than the corresponding items in the over $25 million capital size group, in each case they exceeded the averages for the whole manufacturing industry.

United States-controlled enterprises were easily the most important in this capital size group. Their 740 establishments represented 77.6 per cent of establishments in this category (the 155 United Kingdom establishments comprised 16.2 per cent of the total and the 59 establishments of other foreign countries 6.2 per cent). They provided 75.5 per cent of the employment compared with the United Kingdom's 19.2 per cent and the 5.3 per cent of other foreign countries; paid 75.3 per cent of salaries and wages (the United Kingdom and other foreign countries paid 19.2 per cent and 5.5 per cent respectively); and contributed 78.1 per cent of the value added and 77.6 per cent of total factory shipments (United Kingdom figures were 16.4 per cent and 16.5 per cent, respectively, and other foreign countries' figures 5.5 per cent and 5.9 per cent respectively) of the respective totals for this category.

On average, establishments controlled in other foreign countries had fewer employees (149) than either United Kingdom (205) or United States (169) controlled establishments. However they paid higher salaries and wages ($4,596 per employee compared with $4,422 for the United Kingdom and $4,403 for United States-controlled enterprises) and produced more value added and factory shipments per employee ($10,726 and $23,471 compared with $10,611 and $21,498 for the United States and $8,736 and $17,919 for the United Kingdom) than corresponding enterprises controlled in the United States and the United Kingdom. There were appreciable differences between the average selling value of factory shipments and value added per employee of the United Kingdom-controlled enterprises and the corresponding enterprises of the other two foreign categories. Indeed the selling value of factory shipments from United Kingdom-controlled factories, at $17,919 per employee was somewhat below the average of $19,165 for the whole manufacturing industry, and value added per employee was not substantially higher than the manufacturing industry average. However, the average investment per employee engaged in manufacturing in United Kingdom-controlled manufacturing enterprises in this capital size group, at $11,800, was only about $2,100 higher than the manufacturing industry average and was rather less than the average for the United States ($14,700) and other foreign countries ($21,400).

Industry Distribution. – Statistics of the manufacturing operations of all Canadian and selected foreign-controlled establishments, classified by industry, are given in Tables XX A to XX E. These tables classify the 1961 data according to the same nine industry groupings used in the 1946 and 1953 surveys. In addition, the data for 1961 are classified into twenty industry groupings in accordance with the Standard Industrial Classification (revised 1960) in Tables XIX A to XIX C.

It will be seen that in 1961 foreign-controlled manufacturing operations were most heavily concentrated in the petroleum and coal products industries where they represented 89.9 per cent of total factory shipments, in the transportation equipment industries (75.2 per cent), chemicals and chemical products industries (61.5 per cent) and electrical products industries (55.0 per cent). Conversely the impact of foreign control was lowest in the clothing industries, and printing, publishing and allied industries where foreign-controlled shipments formed only 2.3 per cent and 5.9 per cent of total shipments.

The importance of United States control ranged widely from the clothing industries where the value of shipments from United States-controlled plants constituted only 2.3 per cent of the industry group total to the petroleum and coal products industries (79.5 per cent). In every industry group apart from the tobacco products industries shipments from establishments controlled in the United Kingdom and all other foreign countries (excluding the United States) kept below 20 per cent of total shipments by the group.

Statement 75 shows the relative importance of establishments of the selected foreign-controlled enterprises to the twenty leading Canadian industries in 1961 determined by selling value of their factory shipments. These industries accounted in that year for 50.7 per cent of the total shipments from Canadian factories. The industries are ranked in the statement by the compound annual growth rates of their factory shipments from 1957 to 1963. It will be seen that foreign-controlled establishments provided 44.9 per cent of the shipments of these twenty industries or a rather higher proportion than their 40.4 per cent share of total Canadian shipments. Some degree of foreign control was evident in 1961 in all but two of these industries (printing and publishing, and metal stamping, pressing and coating). In six of the industries foreign control (as measured by the proportion of total factory shipments) exceeded 60 per cent. Foreign control was strongest

[18] This includes the manufacturing establishments of selected enterprises principally engaged in non-manufacturing activities.

in motor vehicle manufacturing where it accounted for 99.0 per cent of the selling value of factory shipments, petroleum refining (91.2 per cent) and aircraft and parts manufacturers (87.2 per cent). In contrast, shipments from foreign-controlled butter and cheese plants, men's clothing factories and pasteurizing plants comprised 2.9 per cent, 4.1 per cent and 9.3 per cent of total factory shipments from these respective industries.

STATEMENT 75. Selling Value of Factory Shipments of Selected Foreign-controlled Manufacturing Establishments and of All Canadian Manufacturing Establishments for the Twenty Leading Industries in 1961, Ranked by Compound Annual Growth Rates of Factory Shipments, 1957 - 63

Industry	All Canadian manufacturing establishments			Selected foreign-controlled manufacturing establishments	
	1957	1963	Compound annual growth rate 1957 - 63	1961	As percentage of all Canadian manufacturing establishments 1961
	$ million		%	$ million	%
Motor vehicle parts and accessories manufacturers	279.4	544.9	11.8	260.6	73.9
Metal stamping, pressing and coating industry	286.4	483.0	9.1	–	–
Motor vehicle manufacturers	941.2	1,528.7	8.4	862.5	99.0
Feed manufacturers	222.5	339.7	7.3	46.9	16.2
Manufacturers of industrial chemicals	366.3	553.8	7.1	297.6	62.4
Fruit and vegetable canners and preservers	259.1	379.0	6.5	158.1	48.2
Miscellaneous machinery and equipment manufacturers	398.2	577.1	6.4	193.8	49.6
Sawmills (except shingle mills)	484.3	690.7	6.1	84.2	15.8
Miscellaneous food manufacturers	343.0	487.2	6.0	190.6	46.7
Iron and steel mills	711.1	963.2	5.2	110.6	14.0
Totals, 20 leading industries	**10,798.3**	**14,589.6**	**5.1**	**5,513.8**	**44.9**
Totals, all industries	**21,452.3**	**28,942.7**	**5.1**	**9,790.9**	**40.4**
Slaughtering and meat packing plants	868.2	1,142.3	4.7	158.7	14.7
Petroleum refining	1,007.0	1,322.1	4.6	1,079.7	91.2
Pasteurizing plants	356.8	457.7	4.2	38.2	9.3
Pulp and paper mills	1,415.8	1,793.2	4.0	691.2	42.3
Butter and cheese plants	265.1	335.1	4.0	9.3	2.9
Printing and publishing	313.3	389.7	3.7	–	–
Bakeries	324.2	394.5	3.3	57.9	15.7
Smelting and refining	1,265.3	1,520.2	3.1	958.9	65.2[1]
Men's clothing factories	273.8	326.9	3.0	11.3	4.1
Aircraft and parts manufacturers	417.3	360.6	-2.1	303.7	87.2

[1] Value added by manufacture by the selected foreign-controlled manufacturing establishments in this industry, however, represented 90.0 per cent of the total value added in 1961 by all Canadian manufacturing establishments.

Statement 75 also ranks the twenty leading industries in 1961 by the compound annual growth rate of their factory shipments between the years 1957 and 1963.[19] No clear pattern emerges from these figures to link foreign-controlled plants with increased shipments during this period. Both the industry which recorded the highest growth rate in shipments between these two years and the industry which recorded the only decrease had high levels of foreign control. Furthermore the industry showing the second highest growth rate and the industry showing the lowest growth rate were entirely or almost entirely controlled in Canada. (The largest growth rate of 11.8 per cent was recorded by motor vehicle parts and accessories manufacturers; in 1961, 73.9 per cent of the selling value of shipments of this industry came from selected foreign-controlled enterprises. The decrease of 2.1 per cent per annum occurred in aircraft parts manufacturers where in 1961, 87.2 per cent of shipments came from selected foreign-controlled establishments.)

[19] These are the earliest and latest years for which comparable data are available at the date of publication.

Regional Distribution. — In 1961, as in 1963, foreign control of Canadian manufacturing operations was strongest, both in absolute and relative terms, in Ontario and Quebec, the provinces in which Canadian manufacturing industry is most heavily concentrated. (In 1961 Ontario and Quebec accounted for 49 per cent and 30 per cent respectively of the selling value of Canada's factory shipments, or roughly the same proportion as in 1953.) Statement 76 shows that in 1961 the value of shipments from the plants of the selected foreign-controlled enterprises exceeded 48 per cent and 34 per cent of all factory shipments from Ontario and Quebec, respectively. The corresponding figures for the other geographic regions were 33 per cent (Atlantic Provinces), 33 per cent (Prairie Provinces) and 27 per cent (British Columbia).

STATEMENT 76. Statistics of Manufacturing Operations of Selected Foreign-controlled Establishments, 1961

Classification by geographic region and country of control

Region	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
	No.		millions of dollars			
Atlantic Provinces						
Controlled in:						
United States	23	3,705	16	109	55	166
United Kingdom	23	9,275	45	67	68	143
Other foreign countries	4	83	—	—	1	2
Totals, all foreign countries	**50**	**13,063**	**61**	**176**	**124**	**311**
Quebec						
Controlled in:						
United States	218	71,209	342	923	824	1,776
United Kingdom	74	26,938	126	300	264	584
Other foreign countries	22	3,978	19	102	54	157
Totals, all foreign countries	**313**	**102,125**	**487**	**1,325**	**1,142**	**2,517**
Ontario						
Controlled in:						
United States	664	182,864	900	2,703	2,149	4,935
United Kingdom	129	35,666	165	376	338	715
Other foreign countries	23	4,722	22	50	46	95
Totals, all foreign countries	**815**	**223,252**	**1,087**	**3,129**	**2,533**	**5,745**
Prairie Provinces						
Controlled in:						
United States	119	12,613	60	357	207	575
United Kingdom	28	2,991	13	29	27	58
Other foreign countries	10	848	5	26	17	44
Totals, all foreign countries	**156**	**16,452**	**78**	**412**	**251**	**677**
British Columbia[2]						
Controlled in:						
United States	81	14,053	73	254	178	444
United Kingdom	37	2,273	10	40	28	68
Other foreign countries	14	1,195	6	16	11	29
Totals, all foreign countries	**130**	**17,521**	**89**	**310**	**217**	**541**
Total						
Controlled in:						
United States	1,104	284,444	1,391	4,346	3,413	7,896
United Kingdom	289	77,143	359	812	725	1,568
Other foreign countries	71	10,826	52	194	129	327
Totals, all foreign countries	**1,464[3]**	**372,413**	**1,802**	**5,352**	**4,267**	**9,791**

See footnotes at end of table.

STATEMENT 76. Statistics of Manufacturing Operations of Selected Foreign-controlled Establishments, 1961 – Concluded

Region	Percentage of all Canadian manufacturing establishments					
	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
	per cent					
Atlantic Provinces						
Controlled in:						
United States	1.0	6.1	7.8	21.2	13.9	17.7
United Kingdom	1.0	15.2	22.1	13.2	17.2	15.2
Other foreign countries	0.2	0.1	0.2	0.1	0.3	0.2
Totals, all foreign countries	**2.2**	**21.4**	**30.1**	**34.5**	**31.4**	**33.1**
Quebec						
Controlled in:						
United States	2.0	16.8	21.0	23.2	25.7	24.2
United Kingdom	0.7	6.4	7.8	7.5	8.2	8.0
Other foreign countries	0.2	0.9	1.1	2.6	1.7	2.1
Totals, all foreign countries	**2.9**	**24.1**	**29.9**	**33.3**	**35.6**	**34.3**
Ontario						
Controlled in:						
United States	5.5	30.9	34.6	42.7	39.6	41.3
United Kingdom	1.1	6.0	6.3	5.9	6.2	6.0
Other foreign countries	0.2	0.8	0.9	0.8	0.8	0.8
Totals, all foreign countries	**6.8**	**37.7**	**41.8**	**49.4**	**46.6**	**48.1**
Prairie Provinces						
Controlled in:						
United States	3.2	13.8	16.6	29.1	26.4	28.1
United Kingdom	0.8	3.3	3.6	2.3	3.5	2.8
Other foreign countries	0.3	0.9	1.2	2.1	2.2	2.2
Totals, all foreign countries	**4.3**	**18.0**	**21.4**	**33.5**	**32.1**	**33.1**
British Columbia[2]						
Controlled in:						
United States	2.3	14.4	16.5	23.8	20.6	22.5
United Kingdom	1.0	2.3	2.3	3.7	3.2	3.5
Other foreign countries	0.4	1.2	1.5	1.5	1.3	1.4
Totals, all foreign countries	**3.7**	**17.9**	**20.3**	**29.0**	**25.1**	**27.4**
Total						
Controlled in:						
United States	3.4	22.5	26.6	33.1	31.9	32.6
United Kingdom	0.9	6.1	6.9	6.2	6.8	6.5
Other foreign countries	0.2	0.8	1.0	1.5	1.2	1.3
Totals, all foreign countries	**4.5**	**29.4**	**34.5**	**40.8**	**39.9**	**40.4**

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.
[2] Also includes Yukon and Northwest Territories.
[3] Totals corrected for the exceptional allocation of the establishments of an international enterprise to more than country of control.

In every region without exception, companies controlled in the United States (followed by companies controlled in the United Kingdom) provided the major proportion of all shipments emanating from foreign-controlled manufacturing plants.

United States control was greatest in Ontario where it represented over 41 per cent of all factory shipments, or 1.6 percentage points more than in 1953. In absolute terms, the value of factory shipments by United States-controlled companies in

Ontario during 1961 amounted to $4,935 million, or over 20 per cent of total Canadian shipments and 40 per cent more than the equivalent 1953 figure of $3,525 million. The relative importance of United States control of Quebec manufacturing industry declined slightly between 1953 and 1961. In 1961 United States-controlled plants contributed 24 per cent, or 1.2 percentage points less than in 1953, of total shipments from factories in the province. However, during the eight-year period the actual value of shipments from Quebec's United States-controlled factories rose by 30 per cent from $1,368 million to $1,776 million. During the years 1953 to 1961 United States companies extended their control over the manufacturing industries of the other three geographic regions quite substantially. In the Prairie Provinces the value of shipments from United States-controlled factories increased from 1953's level of $293 million, or 20.8 per cent of the region's total factory shipments to $575 million (28.1 per cent of total shipments) in 1961. A considerable part of this increase can be attributed to heavy United States investment in the nickel and petroleum refining industries, although pulp and paper, chemicals and slaughtering and meat packing also showed significant increases. In the Atlantic Provinces in 1961, $166 million, or 17.7 per cent of the region's total shipments, came from United States-controlled factories. This represents an appreciable increase since 1953 when United States-controlled factories produced $69 million or 9.2 per cent of the regional total, and is almost entirely explained by the increased output of United States-controlled petroleum refineries. The aluminum refining, wood, pulp and paper, and petroleum refining industries were responsible for most of the increases in shipments from United States-controlled companies in British Columbia. In contrast with 1953, when they accounted for only $164 million, or 12.0 per cent of the province's shipments, United States-controlled establishments in 1961 were the source of 22.5 per cent ($444 million) of all British Columbia shipments.

The relative importance of United Kingdom control in 1961 varied quite considerably from region to region. Factory shipments from United Kingdom-controlled plants represented less than 3 per cent of total shipments of the Prairie Provinces, but, in contrast, in the Atlantic Provinces they exceeded 15 per cent of the total, and in Newfoundland 32 per cent of the total, (individual figures for the other Atlantic Provinces were: Nova Scotia, 24 per cent, New Brunswick, 3 per cent and Prince Edward Island, nil). Indeed the value added by manufacture at United Kingdom-controlled plants in the Atlantic Provinces, at 17.2 per cent, constituted a higher proportion of the regional total than value added by United States-controlled plants (13.9 per cent); United Kingdom-controlled plants in the Atlantic Provinces provided 2½ times more employment than the United States-controlled plants (15.2 per cent of the regional total compared with 6.1 per cent) and had a salaries and wages bill which was nearly three times larger (22.1 per cent compared with 7.8 per cent). In Quebec, Ontario and British Columbia shipments from United Kingdom-controlled establishments formed 8.0 per cent, 6.0 per cent and 3.5 per cent respectively of each province's total shipments.

In no case did shipments from plants controlled in other foreign countries constitute a significant part of a region's total shipments. The highest proportion of a regional total was in the Prairie Provinces (2.2 per cent), the lowest in the Atlantic Provinces (0.2 per cent).

STATEMENT 77. Regional Sources of Total Selling Value of Factory Shipments from the Canadian Establishments of Selected Foreign-controlled Enterprises, 1961

Region	Controlled in			
	All foreign countries	United States	United Kingdom	Other foreign countries
	per cent			
Atlantic Provinces	3.2	2.1	9.2	0.5
Quebec	25.7	22.5	37.2	48.0
Ontario	58.7	62.5	45.6	29.2
Prairie Provinces	6.9	7.3	3.7	13.6
British Columbia[1]	5.5	5.6	4.3	8.7
Totals	**100.0**	**100.0**	**100.0**	**100.0**
Per cent of total Canadian shipments	40.4	32.6	6.5	1.3

[1] Also includes Yukon and Northwest Territories.

It will be seen from Statement 77 that the regional distribution of foreign-controlled manufacturing operations in Canada varied quite significantly according to the country of control. In each instance manufacturing was concentrated in Ontario and Quebec. Overall, Ontario was easily the most important location; accounting for 58.7 per cent of all foreign-controlled manufacturing activity in Canada in terms of factory shipments. Quebec accounted for 25.7 per cent of all foreign-controlled manufacturing activity. For United States and United Kingdom-controlled companies Ontario was the most important manufacturing region; their Ontario and Quebec plants accounted for 62.5 per cent and 22.5 per cent respectively (United States-controlled companies) and 45.6 per cent and 37.2 per cent respectively (United Kingdom-controlled companies) of total factory shipments from their Canadian plants. However, the situation was reversed in the case of the other foreign-controlled companies. Their Quebec plants accounted for 48.0 per cent of their total factory shipments compared with their Ontario plants 29.2 per cent.

About the figures –

MANUFACTURING OPERATIONS OF SELECTED FOREIGN-CONTROLLED ENTERPRISES

The information published in this report has been obtained by collating data collected in the Census of Manufactures for 1961 and data relating to the ownership and control of Canadian industry at the end of 1960 as published in "The Canadian Balance of International Payments, 1961 and 1962 and International Investment Position" (DBS Catalogue No. 67-201).

This survey is the latest in a series of three which was commenced in 1949 when the Bureau published a special report on important United States direct investment in Canada including statistics of their manufacturing operations. This was followed by a similar study covering the year 1953.[1]

The present survey is more ambitious than either of the earlier surveys. In addition to data relating to selected enterprises controlled in the United States, it provides details of the manufacturing operations of selected enterprises controlled in the United Kingdom and other foreign countries. For the first time, too, it has been possible to provide some information about the manufacturing activities of enterprises classified according to the size of their aggregate investment in Canada. This has made possible, inter alia, the inclusion of details of Canadian-controlled enterprises with data relating to the manufacturing operations of enterprises with an aggregate investment in Canada of more than $25 million.[2] Thus, the reader is enabled for the first time to compare the manufacturing operations of Canadian-controlled enterprises with foreign-controlled enterprises of an equivalent capital size. When making such comparisons, however, considerable caution should be used. The reader should bear in mind the distinction between enterprises and companies on the one hand, and establishments on the other. The investment data published throughout this report are based on the book value of capital investment in Canadian enterprises. The whole of the book value of the enterprise is classified by the principal activity in which it is engaged. Statistics of industrial operations on the other hand are compiled by establishment[3] or plant, each individual component of the enterprise being treated separately. The significance of this is far-reaching. The typical modern enterprise, which consists of one or more companies under common ownership and financial control, produces a wide range of differentiated goods and services, and has establishments operating in industries other than the one in which it is principally engaged. Even enterprises engaged in the same principal activity vary substantially in respect of the degree and nature of their involvement in subsidiary industries. It should be noted, in this connection, that the statistics of industrial operations published in this report include details of the manufacturing operations of enterprises classified as non-manufacturing with regard to their principal activity and that the aggregate investment figures for enterprises classified as manufacturing include their investment in non-manufacturing activities.

Attention is also drawn to two major breaks, in 1960 and 1961, in the continuity of the series of industry statistics upon which this survey is partly based and which therefore affect the comparability of the 1961 statistics published in this report with statistics for 1953 and 1946. The 1961 data reflect the introduction of a revised industrial classification and a change in the definition of the reporting unit (establishment).

The revised Standard Industrial Classification, introduced in 1960[4], resulted in substantial changes in a number of industries because of the shifting of establishments from one industry to another or because of regrouping of establishments into different industry classes. From 1961 onwards establishments (accounting entities) which are not primarily engaged in manufacturing are no longer included as manufacturing establishments in the basic industry statistics.

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[1] The first report, relating to the year 1946, was published in 1949 as "U.S. Direct Investments in Canada: Statistics of Investments in All Companies and Operations of the larger Manufacturing Companies". This report is now out of print. Details of the 1953 study were published in "Canada's International Investment Position, 1926-1954" with supplementary information being included in "The Canadian Balance of International Payments, 1955, and International Investment Position". The figures for 1946 and 1953 which appear in the present study have been revised to correspond as closely as possible with the 1961 data.

[2] For practical reasons it has not been possible to provide information relating to the Canadian-controlled enterprises with an aggregate investment of $25 million or less.

[3] For statistical purposes an "establishment" is defined as the smallest unit which is a separate operating entity capable of reporting all elements of basic industrial statistics. See the "Standard Industrial Classification Manual", DBS Catalogue No. 12-501, Occasional.

[4] There has been one other revision (in 1948) in the Standard Industrial Classification in the period spanned by the three studies. Where time series have been provided in this present study, the data included have been made as consistent as possible with those produced by the original study relating to 1946.

STATEMENT 78. Original and Revised Data, Number of Establishments and Selling Value of Factory Shipments, 1960

Province or industrial group	Number of establishments			Selling value of factory shipments		
	Original	Revised	Difference	Original	Revised	Difference
	number			millions of dollars		
Atlantic Provinces	2,998	2,357	– 641	943	912	– 31
Quebec	11,961	11,093	– 868	7,206	7,075	– 131
Ontario	13,387	12,090	– 1,297	11,686	11,480	– 206
Prairie Provinces	4,327	3,682	– 645	1,973	1,901	– 72
British Columbia[1]	4,009	3,630	– 379	1,940	1,912	– 28
Canada	**36,682**	**32,852**	**– 3,830**	**23,748**	**23,280**	**– 468**
Food and beverage industries	8,488	7,598	– 890	4,880	4,668	– 212
Tobacco products industries	40	39	– 1	334	334	–
Rubber industries	92	89	– 3	323	328	5
Leather industries	608	580	– 28	268	266	– 2
Textile industries	924	886	– 38	811	796	– 15
Knitting mills	362	356	– 6	198	200	2
Clothing industries	2,391	2,306	– 85	771	763	– 8
Wood industries	7,490	5,730	– 1,760	1,068	1,007	– 61
Furniture and fixture industries	2,099	2,070	– 29	348	342	– 6
Paper and allied industries	581	565	– 16	2,128	2,126	– 2
Printing, publishing and allied industries	3,462	3,410	– 52	866	846	– 20
Primary metal industries	418	404	– 14	2,743	2,729	– 14
Metal fabricating industries	2,896	2,756	– 140	1,433	1,413	– 20
Machinery industries	533	519	– 14	642	637	– 5
Transportation equipment industries	687	677	– 10	2,001	2,000	– 1
Electrical products industries	548	536	– 12	1,176	1,166	– 10
Non-metallic mineral products	1,331	1,296	– 35	647	639	– 8
Petroleum and coal products	96	91	– 5	1,198	1,150	– 48
Chemicals and chemical products	1,143	1,063	– 80	1,374	1,358	– 16
Miscellaneous manufacturing industries	2,493	1,881	– 612	539	512	– 27

[1] Also includes Yukon and Northwest Territories.

Some indication of the effect of these changes is given in Statement 78 which compares manufacturing data compiled on the original and revised bases and which should be consulted by all comparing the 1961 statistics, when classified by industry or geographic region, with figures for 1946 or 1953.

It will be noted that the greatest difference ($212 million) occurred in the food and beverage industries. About $119 million of this is explained by the removal of a new industry—the poultry processors' industry, which was introduced for the first time in 1960. The remaining difference is mainly attributable to the transfer of several hundred feed reports, which were found to be principally engaged in trade, from the manufacturing universe to non-manufacturing industries. The difference of $61 million in the wood industries total resulted mainly from the transfer of a large number of sawmills out of manufacturing to other industries and a change from a value of production basis (lumber sawn by contract was formerly given full value) to a value of shipments basis (revenue for only contract sawing). A difference of $48 million in the value of shipments in the petroleum and coal products industries was mainly caused by discontinuation of the practice of including, with the value of products made for sale, products made for own use (mostly fuel oil) in petroleum refineries. (Further information concerning these changes can be found in the "General Review of the Manufacturing Industries of Canada", and 1961, DBS Catalogue No. 31-201.)

SECTION 1

Tables 1 to 10 relate to the
Canadian Balance of International Payments

Other related text and statements are listed in the Table of Contents at the front of the report.

TABLE 1. Summary of the Canadian Balance of International Payments, 1926 - 65

Year	Current account									Capital account			Change in official holdings of gold, foreign exchange and net IMF balance[5]
	Totals[1]		Balances							Long-term forms[3]	Short-term forms[4]	Net movement	
	Receipts	Payments	Merchandise trade	Non-merchandise transactions	Official contributions, including wartime grants[2]	Totals	United States	United Kingdom	Other countries				
	millions of dollars												
1926	1,665	1,538	299	– 172	—	127	– 231	58	300	..	..	– 128	– 1
1927	1,633	1,643	158	– 168	—	– 10	– 248	– 19	257	– 10	27	17	7
1928	1,788	1,820	132	– 164	—	– 32	– 349	– 21	338	– 110	93	– 17	– 49
1929	1,646	1,957	– 94	– 217	—	– 311	– 437	– 99	225	182	92	274	– 37
1930	1,297	1,634	– 93	– 244	—	– 337	– 344	– 106	113	392	– 19	373	36
1931	972	1,146	21	– 195	—	– 174	– 205	– 54	85	87	54	141	– 33
1932	808	904	97	– 193	—	– 96	– 168	– 14	86	55	38	93	– 3
1933	829	831	164	– 166	—	– 2	– 113	26	85	– 41	37	– 4	– 6
1934	1,020	952	164	– 96	—	68	– 80	46	102	– 91	27	– 64	4
1935	1,145	1,020	206	– 81	—	125	– 29	62	92	– 150	27	– 123	2
1936	1,430	1,186	342	– 98	—	244	– 1	122	123	– 244	—	– 244	—
1937	1,593	1,413	265	– 85	—	180	– 77	135	122	– 159	– 21	– 180	—
1938	1,361	1,261	195	– 95	—	100	– 149	127	122	– 33	– 67	– 100	..
1939	1,457	1,331	193	– 67	—	126	– 116	137	105	– 14	– 112	– 126	..
1940	1,776	1,627	196	– 47	—	149	– 292	343	98	– 186	40	– 146	3
1941	2,458	1,967	468	23	—	491	– 318	734	75	– 191	268	77	568
1942	3,376	3,277	1,109	– 8	– 1,002	99	– 180	223	56	– 903	130	– 773	– 674
1943	4,064	3,376	1,471	– 265	– 518	688	– 19	648	59	114	– 438	– 324	364
1944	4,557	4,499	2,192	– 1,174	– 960	58	31	– 28	55	147	69	216	274
1945	4,456	3,768	2,032	– 486	– 858	688	36	151	501	190	– 210	– 20	668
1946	3,365	3,002	571	– 111	– 97	363	– 607	500	470	– 715	86	– 629	– 266
1947	3,748	3,699	188	– 101	– 38	49	– 1,134	633	550	– 721	4	– 717	– 668
1948	4,147	3,696	432	42	– 23	451	– 393	486	358	43	– 2	41	492
1949	4,089	3,912	293	– 110	– 6	177	– 601	446	332	– 29	– 20	– 49	128
1950	4,230	4,549	7	– 321	– 5	– 319	– 385	24	42	610	431	1,041	722
1951	5,147	5,659	– 151	– 352	– 9	– 512	– 945	223	210	666	– 98	568	56
1952	5,673	5,486	485	– 282	– 16	187	– 830	387	630	455	– 605	– 150	37
1953	5,493	5,941	– 60	– 363	– 25	– 448	– 907	132	327	649	– 239	410	– 38
1954	5,248	5,672	18	– 431	– 11	– 424	– 800	229	147	599	– 51	548	124
1955	5,859	6,546	– 211	– 452	– 24	– 687	– 1,029	332	10	414	229	643	– 44
1956	6,475	7,847	– 728	– 614	– 30	– 1,372	– 1,650	253	25	1,490	– 70	1,420	48
1957	6,529	7,980	– 594	– 817	– 40	– 1,451	– 1,579	120	8	1,320	26	1,346	– 105
1958	6,452	7,589	– 176	– 908	– 53	– 1,137	– 1,167	97	– 67	1,153	93	1,246	109
1959	6,813	8,300	– 421	– 994	– 72	– 1,487	– 1,221	16	– 282	1,179	297	1,476	– 11
1960	7,136	8,369	– 148	– 1,024	– 61	– 1,233	– 1,359	169	– 43	929	265	1,194	– 39
1961	7,788	8,716	173	– 1,045	– 56	– 928	– 1,341	195	218	930	288	1,218	290
1962	8,423	9,253	184	– 978	– 36	– 830	– 1,092	225	37	688	297	985	155
1963	9,289	9,810	503	– 959	– 65	– 521	– 1,148	417	210	637	30	667	146
1964	10,747	11,171	701	– 1,056	– 69	– 424	– 1,635	605	606	820	– 33	787	363
1965p	11,464	12,547	118	– 1,109	– 92	– 1,083	– 1,912	510	319	713	527	1,240	157

[1] Excludes mutual aid to NATO countries; these amounts are:

1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
millions of dollars															
57	145	200	246	284	222	157	107	142	63	43	35	41	23	47	39

[2] Data for 1942 to 1946 include the 1942 $1,000 million gift to the United Kingdom, mutual aid, contributions to UNRRA and military and other relief subsequent data cover official contributions of a non-military nature.

[3] The years 1927 to 1937 includes direct investments, new issues, retirements and trade in outstanding issues of Canadian securities, trade in outstanding issues of foreign securities, and insurance transactions. The years 1938 to 1945 include new issues, retirements and trade in outstanding issues of Canadian securities, trade in outstanding issues of foreign securities, net loans and advances by the Government of Canada.

[4] Includes balancing item representing difference between direct measurements of current and capital accounts. Figures for 1927 to 1945 include all capital movements in forms not recorded as long-term.

[5] The years 1927 to 1937 include gold holdings only.

TABLE 2. Annual Statements of the Canadian Balance of International Payments, 1961-65

No.	Account	Between Canada and all countries					Between Canada and the United States				
		1961	1962	1963	1964	1965[p]	1961	1962	1963	1964	1965[p]
		millions of dollars									
A	**Current receipts:**										
1	Merchandise exports (adjusted)	5,889	6,387	7,082	8,238	8,745	3,213	3,767	3,970	4,396	4,993
2	Mutual aid to NATO countries	35	41	23	47	39	..	..	..	..	..
3	Gold production available for export	162	155	154	145	138	162	155	154	145	138
4	Travel expenditures	482	562	609	662	747	435	512	549	590	660
5	Interest and dividends	213	202	230	332	310	112	120	155	100	204
6	Freight and shipping	486	509	563	644	673	230	259	279	301	327
7	Inheritances and immigrants' funds	104	124	151	169	211	51	61	65	77	91
11	All other current receipts	452	484	500	557	640	336	345	342	359	393
12	**Total current receipts**	**7,823**	**8,464**	**9,312**	**10,794**	**11,503**	**4,539**	**5,219**	**5,514**	**6,058**	**6,806**
B	**Current payments:**										
1	Merchandise imports (adjusted)	5,716	6,203	6,579	7,537	8,627	3,828	4,205	4,458	5,204	6,034
4	Travel expenditures	642	605	585	712	779	459	419	388	481	531
5	Interest and dividends	764	783	860	1,010	1,071	630	656	727	850	919
6	Freight and shipping	568	595	648	679	755	333	353	378	399	442
7	Inheritances and emigrants' funds	176	175	185	201	211	136	139	152	157	160
9	Official contributions	56	36	65	69	92	—	—	—	—	—
10	Mutual aid to NATO countries	35	41	23	47	39	..	..	..	..	..
11	All other current payments	794	856	888	963	1,012	494	539	559	602	632
12	**Total current payments**	**8,751**	**9,294**	**9,833**	**11,218**	**12,586**	**5,880**	**6,311**	**6,662**	**7,693**	**8,718**
C	**Current account balance:**										
1	Merchandise trade	+ 173	+184	+503	+ 701	+ 118	– 615	– 438	– 488	– 808	–1,041
2	Other transactions, excluding B 9	–1,045	–978	–959	–1,056	–1,109	– 726	– 654	– 660	– 827	– 871
3	Official contributions	– 56	– 36	– 65	– 69	– 92	—	—	—	—	—
4	**Totals**	**– 928**	**–830**	**–521**	**– 424**	**–1,083**	**–1,341**	**–1,092**	**–1,148**	**–1,635**	**–1,912**
D	**Capital account:**										
	Direct investment:										
1	Direct investment in Canada	560	505	280	270	405	366	328	220	188	353
2	Direct investment abroad	– 80	–105	–135	– 95	– 125	– 25	6	– 36	– 35	– 70
	Canadian securities:										
3.1	Trade in outstanding bonds and debentures	61	64	39	77	62	74	84	35	38	28
3.2	Trade in outstanding common and preference stocks	39	–115	–170	– 98	– 264	122	– 11	– 99	– 52	– 183
4	New issues	548	729	984	1,100	1,209	489	690	930	1,040	1,166
5	Retirements	– 301	–319	–404	– 382	– 382	– 220	– 247	– 315	– 300	– 326
	Foreign securities:										
6	Trade in outstanding issues	– 6	– 68	40	– 31	– 53	7	– 59	42	– 26	– 51
7	New issues	– 38	– 17	– 39	– 31	– 56	– 19	– 13	– 34	– 20	– 27
8	Retirements	9	20	21	10	25	5	17	17	5	6
	Loans, capital subscriptions, etc., by Government of Canada:										
9.1	Loans and advances by Government of Canada	—	– 7	– 10	– 2	– 1	—	—	—	—	—
9.2	Capital subscriptions to international investment agencies	– 8	– 15	– 8	– 8	– 13	—	—	—	—	—
10.1	Repayment of post-war loans and advances	38	129	25	10	10	—	—	—	—	—
10.2	Repayment of war loans and advances	—	—	—	—	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	54	32	—	—	—	54	32
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	Included with D 13.2	– 63	– 72	– 164	– 187	Included with D 13.2	– 33	7	9	—
	Long-term capital transactions n.i.e.:										
13.1	Finance company borrowing	5	14	11	– 6	– 3	5	12	11	– 5	– 3
13.2	Other	103	– 64	75	116	54	149	– 94	65	117	39
	Change in Canadian dollar holdings of foreigners:										
14.1	Deposits	33	– 10	43	28	31	54	18	31	34	5
14.2	Government of Canada demand liabilities	– 2	– 4	1	—	2	– 9	– 9	– 1	– 2	– 2
14.3	Canadian treasury bills	– 58	4	– 27	– 16	12	– 68	18	– 23	– 16	7
	Other capital movements:										
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	140	93	–258	– 528	138	123	142	– 244	106	– 817
17.2	Canadian commercial paper, etc.	Included with D 17.4		– 23	– 11	10	Included with D 17.4		– 23	– 11	– 2
17.3	Canadian finance company paper			93	196	– 162			93	196	– 208
17.4	Canadian finance company obligations n.i.e.	95	119	35	52	209	100	121	35	52	205
17.5	All other transactions[1]	80	95	166	246	287	158	103	118	267	304
E	**Net capital movement** (excluding monetary items shown below) in:										
1	Long-term forms (D 1 to D 13)	930	688	637	820	713	953	680	843	1,013	964
2	Short-term forms (D 14 to D 17)	288	297	30	– 33	527	358	393	– 14	626	– 508
3	**Totals**	**1,218**	**985**	**667**	**787**	**1,240**	**1,311**	**1,073**	**829**	**1,639**	**456**
F	**Balance to be settled** (C 4 + E 3)	**290**	**155**	**146**	**363**	**157**	**– 30**	**– 19**	**– 319**	**4**	**–1,456**
G	**Balance settled by exchange transfers**	**—**	**—**	**—**	**—**	**—**	**257**	**554**	**378**	**27**	**1,499**
H=C+E+G	**Official monetary movements** in the form of:										
1	Change in official holdings of gold and foreign exchange	229	537	60	86	– 11	227	538	59	31	43
2	Change in net International Monetary Fund Position	61	–378	86	277	168	—	—	—	—	—
3	Other special international financial assistance	—	– 4	—	—	—	—	– 3	—	—	—
4	**Totals**	**290**	**155**	**146**	**363**	**157**	**227**	**535**	**59**	**31**	**43**

See footnote at end of table.

TABLE 2. Annual Statements of the Canadian Balance of International Payments, 1961-65 – Continued

millions of dollars

No.	Account	Between Canada and the United Kingdom					Between Canada and other sterling area countries				
		1961	1962	1963	1964	1965[P]	1961	1962	1963	1964	1965[P]
A	**Current receipts:**										
1	Merchandise exports (adjusted)	924	924	1,017	1,219	1,184	331	338	409	515	531
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	—	—	—	—	—	—	—	—	—	—
4	Travel expenditures	21	22	28	33	34	7	8	8	11	9
5	Interest and dividends	37	28	31	80	40	43	33	26	41	41
6	Freight and shipping	100	98	105	130	136	27	29	33	44	44
7	Inheritances and immigrants' funds	25	28	43	46	51	6	8	12	13	21
11	All other current receipts	54	66	77	102	110	10	9	12	14	20
12	**Total current receipts**	**1,161**	**1,166**	**1,301**	**1,610**	**1,555**	**424**	**425**	**500**	**638**	**666**
B	**Current payments:**										
1	Merchandise imports (adjusted)	593	578	521	584	624	298	326	418	417	385
4	Travel expenditures	71	71	70	80	89	21	21	21	23	27
5	Interest and dividends	87	85	82	104	91	1	1	1	1	1
6	Freight and shipping	93	88	94	89	95	4	5	5	7	11
7	Inheritances and emigrants' funds	23	18	15	24	30	4	4	4	5	4
9	Official contributions	—	—	—	—	—	49	29	57	58	73
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..
11	All other current payments	99	101	102	124	116	20	22	25	26	30
12	**Total current payments**	**966**	**941**	**884**	**1,005**	**1,045**	**397**	**408**	**531**	**537**	**531**
C	**Current account balance:**										
1	Merchandise trade	+331	+346	+496	+635	+ 560	+33	+12	– 9	+ 98	+146
2	Other transactions, excluding B 9	–136	–121	– 79	– 30	– 50	+43	+34	+35	+ 61	+ 62
3	Official contributions	—	—	—	—	—	–49	–29	–57	– 58	– 73
4	**Total**	**+195**	**+225**	**+417**	**+605**	**+ 510**	**+27**	**+17**	**–31**	**+101**	**+135**
D	**Capital account:**										
	Direct investment:										
1	Direct investment in Canada	125	62	38	55	– 2	9	– 4	–11	4	3
2	Direct investment abroad	– 16	– 21	– 40	– 3	2	–20	–41	–13	– 35	– 38
	Canadian securities:										
3.1	Trade in outstanding bonds and debentures	– 12	—	– 5	– 1	– 3	—	—	—	—	—
3.2	Trade in outstanding common and preference stocks	– 61	– 65	– 55	– 27	– 50	– 3	—	—	—	—
4	New issues	24	18	18	22	15	—	—	—	—	—
5	Retirements	– 41	– 37	– 40	– 39	– 23	—	—	—	—	—
	Foreign securities:										
6	Trade in outstanding issues	– 11	– 2	– 2	– 8	– 1	—	—	– 1	—	—
7	New issues	– 2	—	—	—	—	–13	—	—	– 4	– 5
8	Retirements	—	1	—	—	—	1	—	1	1	1
	Loans, capital subscriptions, etc., by Government of Canada:										
9.1	Loans and advances by Government of Canada	—	—	—	—	—	—	—	–10	– 2	– 1
9.2	Capital subscriptions to international investment agencies	—	—	—	—	—	—	—	—	—	—
10.1	Repayment of post-war loans and advances	17	17	18	—	—	5	5	5	8	8
10.2	Repayment of war loans and advances	—	—	—	—	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—	—	—	—	—
12	Export credits extended from Canada directly or indirectly at risk of the government of Canada	Included with D 13.2	—	—	—	—	Included with D 13.2	– 4	– 4	– 17	– 17
	Long-term capital transactions n.i.e.:										
13.1	Finance company borrowing	—	1	– 1	1	—	—	—	—	—	—
13.2	Other	5	18	– 11	3	– 12	– 2	—	4	– 7	– 6
	Change in Canadian dollar holdings of foreigners:										
14.1	Deposits	4	– 12	1	– 11	16	3	– 2	5	5	– 2
14.2	Government of Canada demand liabilities	—	—	—	—	—	—	—	—	—	—
14.3	Canadian treasury bills	– 3	—	– 1	1	– 1	—	—	—	—	—
	Other capital movements:										
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	18	– 37	– 4	–583	551	—	–13	1	12	45
17.2	Canadian commercial paper, etc.	Included with D 17.4		—	—	1	Included with D 17.4		—	—	—
17.3	Canadian finance company paper			—	—	7			—	—	—
17.4	Canadian finance company obligations n.i.e.	—	—	—	—	4	—	—	—	—	—
17.5	All other transactions[1]	2	– 28	– 12	– 38	– 29	2	– 6	8	– 22	5
E	**Net capital movement** (excluding monetary items shown below) in:										
1	Long-term forms (D 1 to D 13)	28	– 8	– 80	3	– 74	–23	–44	–29	– 52	– 55
2	Short-term forms (D 14 to D 17)	21	– 77	– 16	–631	549	5	–21	14	– 5	48
3	**Totals**	**49**	**– 85**	**– 96**	**–628**	**475**	**–18**	**–65**	**–15**	**– 57**	**– 7**
F	**Balance to be settled** (C 4 + E 3)	**244**	**140**	**321**	**– 23**	**985**	**9**	**–48**	**–46**	**44**	**128**
G	**Balance settled by exchange transfers**	**–242**	**–142**	**–320**	**78**	**–1,039**	**– 9**	**48**	**46**	**– 44**	**–128**
H = C + E + G	**Official monetary movements** in the form of:										
1	Change in official holdings of gold and foreign exchange	2	– 1	1	55	– 54	—	—	—	—	—
2	Change in net International Monetary Fund Position	—	—	—	—	—	—	—	—	—	—
3	Other special international financial assistance	—	– 1	—	—	—	—	—	—	—	—
4	**Totals**	**2**	**– 2**	**1**	**55**	**– 54**	**—**	**—**	**—**	**—**	**—**

See footnotes at end of table.

TABLE 2. Annual Statements of the Canadian Balance of International Payments, 1961-65 – Concluded

No.	Account	Between Canada and other OECD countries in Europe					Between Canada and all other countries				
		1961	1962	1963	1964	1965[P]	1961	1962	1963	1964	1965[P]
		millions of dollars									
A	**Current receipts:**										
1	Merchandise exports (adjusted)	618	622	662	749	840	803	736	1,024	1,359	1,197
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	—	—	—	—	—	—	—	—	—	—
4	Travel expenditures	13	14	16	17	27	6	6	8	11	17
5	Interest and dividends	12	11	8	8	8	9	10	10	13	17
6	Freight and shipping	67	62	68	76	84	62	61	78	93	82
7	Inheritances and immigrants' funds	15	19	21	21	34	7	8	10	12	14
11	All other current receipts	37	42	45	48	63	15	22	24	34	54
12	**Total current receipts**	**762**	**770**	**820**	**919**	**1,056**	**902**	**843**	**1,154**	**1,522**	**1,381**
B	**Current payments:**										
1	Merchandise imports (adjusted)	416	454	474	558	707	581	640	708	774	877
4	Travel expenditures	72	75	86	105	106	19	19	20	23	26
5	Interest and dividends	44	39	48	52	57	2	2	2	3	3
6	Freight and shipping	114	124	137	146	161	24	25	34	38	46
7	Inheritances and emigrants' funds	11	11	11	11	13	2	3	3	4	4
9	Official contributions	1	—	2	1	1	6	7	6	10	18
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..
11	All other current payments	134	149	154	153	169	47	45	48	58	65
12	**Total current payments**	**792**	**852**	**912**	**1,026**	**1,214**	**681**	**741**	**821**	**910**	**1,039**
C	**Current account balance:**										
1	Merchandise trade	+202	+168	+188	+191	+133	+222	+ 96	+316	+585	+320
2	Other transactions, excluding B 9	–231	–250	–278	–297	–290	+ 5	+ 13	+ 23	+ 37	+ 40
3	Official contributions	– 1	—	– 2	– 1	– 1	– 6	– 7	– 6	– 10	– 18
4	**Totals**	**– 30**	**– 82**	**– 92**	**–107**	**–158**	**+221**	**+102**	**+333**	**+612**	**+342**
D	**Capital account:**										
	Direct investment:										
1	Direct investment in Canada	57	111	37	27	47	3	8	– 4	– 4	4
2	Direct investment abroad	– 1	– 29	– 33	– 18	– 17	– 18	– 20	– 13	– 4	– 2
	Canadian securities:										
3.1	Trade in outstanding bonds and debentures	– 1	– 20	6	42	31	—	—	3	– 2	6
3.2	Trade in outstanding common and preference stocks	– 19	– 39	– 16	– 19	– 31	—	—	—	—	—
4	New issues	20	21	22	20	28	15	—	14	18	—
5	Retirements	– 19	– 35	– 42	– 31	– 25	– 21	—	– 7	– 12	– 8
	Foreign securities:										
6	Trade in outstanding issues	– 2	– 9	—	3	– 1	—	2	1	—	—
7	New issues	—	—	—	—	—	– 4	– 4	– 5	– 7	– 24
8	Retirements	—	—	—	—	—	3	2	3	4	18
	Loans, capital subscriptions, etc., by Government of Canada:										
9.1	Loans and advances by Government of Canada	—	—	—	—	—	—	– 7	—	—	—
9.2	Capital subscriptions to international investment agencies	—	—	—	—	—	– 8	– 15	– 8	– 8	– 13
10.1	Repayment of post-war loans and advances	15	107	2	2	2	1	—	—	—	—
10.2	Repayment of war loans and advances	—	—	—	—	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—	—	—	—	—
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	Included with D 13.2	1	1	—	– 4	Included with D 13.2	– 27	– 76	–156	–166
	Long-term capital transactions n.i.e.:										
13.1	Finance company borrowing	—	1	1	– 2	—	—	—	—	—	—
13.2	Other	– 4	2	18	– 1	18	– 45	10	– 1	4	15
	Change in Canadian dollar holdings of foreigners:										
14.1	Deposits	8	– 10	6	1	8	– 36	– 4	—	– 1	4
14.2	Government of Canada demand liabilities	—	—	—	—	—	7	5	2	2	4
14.3	Canadian treasury bills	12	– 21	1	– 1	– 1	1	7	– 4	—	7
	Other capital movements:										
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	—	—	– 8	2	176	– 1	1	– 3	– 65	183
17.2	Canadian commercial paper, etc.	Included with D 17.4		—	—	—	Included with D 17.4		—	—	11
17.3	Canadian finance company paper			—	—	4			—	—	35
17.4	Canadian finance company obligations n.i.e.	– 5	– 2	—	—	—	—	—	—	—	—
17.5	All other transactions[1]	– 17	6	– 7	33	6	– 65	20	59	6	1
E	**Net capital movement** (excluding monetary items shown below) in:										
1	Long-term forms (D 1 to D 13)	46	111	– 4	23	48	– 74	– 51	– 93	–167	–170
2	Short-term forms (D 14 to D 17)	– 2	– 27	– 8	35	193	– 94	29	54	– 58	245
3	**Totals**	**44**	**84**	**– 12**	**58**	**241**	**–168**	**– 22**	**– 39**	**225**	**75**
F	**Balance to be settled** (C 4 + E 3)	**14**	**2**	**–104**	**– 49**	**83**	**53**	**80**	**294**	**387**	**417**
G	**Balance settled by exchange transfers**	**– 14**	**– 2**	**104**	**49**	**– 83**	**8**	**–458**	**–208**	**–110**	**–249**
H = C + E + G	**Official monetary movements** in the form of:										
1	Change in official holdings of gold and foreign exchange	—	—	—	—	—	—	—	—	—	—
2	Change in net International Monetary Fund Position	—	—	—	—	—	61	–378	86	277	168
3	Other special international financial assistance	—	—	—	—	—	—	—	—	—	—
4	**Totals**	**—**	**—**	**—**	**—**	**—**	**61**	**–378**	**86**	**277**	**168**

[1] Includes changes in loans and accounts receivable and payable, and also balancing item representing differences between direct measurements of current and capital accounts.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963-65

No.	Account	Between Canada and all countries											
		1963				1964				1965[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	1,486	1,776	1,806	2,014	1,730	2,198	2,182	2,128	1,826	2,191	2,263	2,463
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	41	38	36	39	33	41	36	35	35	34	35	34
4	Travel expenditures	51	129	325	104	59	140	351	112	63	158	415	113
5	Interest and dividends	45	55	44	86	67	60	54	151	67	73	70	100
6	Freight and shipping	117	141	148	157	133	164	176	171	143	172	181	177
7	Inheritances and immigrants' funds	27	38	48	38	32	43	50	44	42	55	63	51
11	All other current receipts	123	126	126	125	133	136	140	148	155	156	159	170
12	**Total current receipts**	**1,890**	**2,303**	**2,533**	**2,563**	**2,187**	**2,782**	**2,989**	**2,789**	**2,331**	**2,839**	**3,186**	**3,108**
B	**Current payments:**												
1	Merchandise imports (adjusted)	1,412	1,702	1,655	1,810	1,695	2,047	1,827	1,968	1,865	2,218	2,102	2,442
4	Travel expenditures	114	158	204	109	150	187	238	137	152	210	271	140
5	Interest and dividends	196	198	181	285	239	219	219	333	240	252	230	349
6	Freight and shipping	128	164	178	178	136	175	187	181	155	198	204	193
7	Inheritances and emigrant's funds	39	44	50	52	40	47	58	56	43	49	61	58
9	Official contributions	15	18	16	16	12	16	22	19	23	20	31	18
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	220	223	220	225	251	241	230	241	248	252	251	263
12	**Total current payments**	**2,124**	**2,507**	**2,504**	**2,675**	**2,523**	**2,932**	**2,781**	**2,935**	**2,726**	**3,199**	**3,150**	**3,471**
C	**Current account balance:**												
1	Merchandise trade	+ 74	+ 74	+151	+204	+ 35	+151	+355	+160	– 39	– 27	+161	+ 23
2	Other transactions, excluding B9	–293	–260	–106	–300	–359	–285	–125	–287	–333	–313	– 94	–360
3	Official contributions	– 15	– 18	– 16	– 16	– 12	– 16	– 22	– 19	– 23	– 20	– 31	– 19
4	**Totals**	**–234**	**–204**	**+ 29**	**–112**	**–336**	**–150**	**+208**	**–146**	**–395**	**–360**	**+ 36**	**–356**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	78	48	74	80	85	32	51	102	70	126	96	110
2	Direct investment abroad	– 31	– 42	– 29	– 33	– 32	– 58	6	– 11	– 44	–	– 53	– 29
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	23	27	– 7	– 4	4	15	36	22	4	16	37	
3.2	Trade in outstanding common and preference stocks	– 57	– 44	– 27	– 42	– 44	– 9	– 5	– 40	– 91	– 83	– 28	– 69
4	New issues	410	405	94	75	138	322	109	531	283	321	294	310
5	Retirements	– 64	–198	– 55	– 87	–110	–117	– 60	– 95	– 68	–178	– 56	– 84
	Foreign securities:												
6	Trade in outstanding issues	5	21	– 4	18	–	– 26	– 1	– 4	– 14	– 16	– 18	–
7	New issues	– 7	– 3	– 5	– 24	– 6	– 11	– 5	– 9	– 27	– 7	– 8	–
8	Retirements	5	5	5	6	2	3	2	3	3	15	3	
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	–	–	– 8	– 2	– 1	–	– 1	–	–	–	–	–
9.2	Capital subscriptions to international investment agencies	–	–	–	– 8	–	–	–	– 8	–	–	–	– 12
10.1	Repayment of post-war loans and advances	–	6	–	19	4	3	1	2	5	2	1	
10.2	Repayment of war loans and advances	–	–	–	–	–	–	–	–	–	–	–	-
10.3	British financial settlement and interim advances (net)	–	–	–	–	–	–	–	–	–	–	–	-
11	Columbia River Treaty, net	–	–	–	–	–	–	54	–	–	–	–	3
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	1	– 10	– 37	– 26	– 31	– 52	– 46	– 35	– 42	– 61	– 54	– 38
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	4	8	9	– 10	4	6	– 14	– 2	– 1	– 6	4	-
13.2	Other	14	– 19	17	63	– 10	25	85	16	50	5	– 2	
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	– 28	38	– 11	44	20	– 9	– 36	53	38	– 37	– 19	4
14.2	Government of Canada demand liabilities	–	– 3	– 1	5	–	– 3	–	3	– 1	– 4	– 5	1
14.3	Canadian treasury bills	9	– 17	18	– 37	4	14	– 16	– 18	27	– 10	– 2	–
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	– 62	– 82	–138	24	150	–128	–165	–385	170	141	– 74	– 9
17.2	Canadian commercial paper, etc.	– 39	15	– 11	12	27	– 20	– 18	–	– 1	8	3	-
17.3	Canadian finance company paper	20	2	22	49	107	102	4	– 17	– 34	– 2	– 61	– 6
17.4	Canadian finance company obligations n.i.e.	– 11	18	– 1	29	– 2	1	16	37	26	99	90	–
17.5	All other transactions[1]	30	140	7	– 11	– 15	128	– 49	182	– 30	32	42	24
E	**Net capital movement** (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	381	204	27	25	3	133	212	472	128	134	216	23
2	Short-term forms (D 14 to D 17)	– 81	111	–115	115	291	85	–264	–145	195	227	– 26	17
3	**Totals**	**300**	**315**	**– 88**	**140**	**294**	**218**	**– 52**	**327**	**323**	**361**	**190**	**30**
F	**Balance to be settled** (C 4 + E 3)	**66**	**111**	**– 59**	**28**	**– 42**	**68**	**156**	**181**	**– 72**	**1**	**226**	
G	**Balance settled by exchange transfers**	–	–	–	–	–	–	–	–	–	–	–	
H = C + E + G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	66	111	–145	28	–127	62	97	54	–118	– 92	144	
2	Change in net International Monetary Fund Position	–	–	86	–	85	6	59	127	46	93	82	–
3	Other special international financial assistance	–	–	–	–	–	–	–	–	–	–	–	
4	**Totals**	**66**	**111**	**– 59**	**28**	**– 42**	**68**	**156**	**181**	**– 72**	**1**	**226**	

See footnote at end of table.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963-65 – Continued

No.	Account	Between Canada and the United States											
		1963				1964				1965[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Current receipts:												
1	Merchandise exports (adjusted)	889	1,012	1,034	1,035	952	1,128	1,148	1,168	1,070	1,271	1,269	1,383
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	41	38	36	39	33	41	36	35	35	34	35	34
4	Travel expenditures	46	111	300	92	53	120	321	96	53	133	375	99
5	Interest and dividends	36	38	34	47	50	41	42	57	41	52	42	69
6	Freight and shipping	59	72	76	72	63	76	84	78	67	86	91	83
7	Inheritances and immigrants' funds	11	15	23	16	14	18	24	21	15	24	29	23
11	All other current receipts	82	86	87	87	88	89	90	92	96	97	101	99
12	**Total current receipts**	**1,164**	**1,372**	**1,590**	**1,388**	**1,253**	**1,513**	**1,745**	**1,547**	**1,377**	**1,697**	**1,942**	**1,790**
	Current payments:												
1	Merchandise imports (adjusted)	1,030	1,159	1,084	1,185	1,231	1,409	1,230	1,334	1,376	1,547	1,422	1,689
4	Travel expenditures	79	110	130	69	109	131	149	92	113	149	176	93
5	Interest and dividends	158	170	147	252	192	188	182	288	200	219	192	308
6	Freight and shipping	71	97	108	102	76	106	112	105	86	119	122	115
7	Inheritances and emigrants' funds	34	35	41	42	35	36	43	43	35	36	44	45
9	Official contributions	–	–	–	–	–	–	–	–	–	–	–	–
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	138	143	136	142	151	150	148	153	156	157	156	163
12	**Total current payments**	**1,510**	**1,714**	**1,646**	**1,792**	**1,794**	**2,020**	**1,864**	**2,015**	**1,966**	**2,227**	**2,112**	**2,413**
	Current account balance:												
1	Merchandise trade	–141	–147	– 50	–150	–279	–281	– 82	–166	–306	–276	–153	–306
2	Other transactions, excluding B 9	–205	–195	– 6	–254	–262	–226	– 37	–302	–283	–254	– 17	–317
3	Official contributions	–	–	–	–	–	–	–	–	–	–	–	–
4	**Totals**	**–346**	**–342**	**– 56**	**–404**	**–541**	**–507**	**–119**	**–468**	**–589**	**–530**	**–170**	**–623**
	Capital account:												
	Direct investment:												
1	Direct investment in Canada	58	25	63	74	63	29	37	59	57	113	82	101
2	Direct investment abroad	– 14	– 4	– 9	– 9	– 6	– 19	17	– 27	– 41	7	– 24	– 12
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	19	22	– 6	–	1	9	22	6	6	8	16	– 2
3.2	Trade in outstanding common and preference stocks	– 31	– 29	– 14	– 25	– 30	– 1	3	– 24	– 59	– 56	– 20	– 48
4	New issues	397	384	89	60	129	300	96	515	271	315	286	294
5	Retirements	– 50	–149	– 39	– 77	– 88	– 88	– 54	– 70	– 58	–160	– 41	– 67
	Foreign securities:												
6	Trade in outstanding issues	4	20	– 2	20	– 3	– 25	1	1	– 17	– 15	– 17	– 2
7	New issues	– 6	– 2	– 4	– 22	– 4	– 6	– 4	– 6	– 8	– 5	– 8	– 6
8	Retirements	5	4	4	4	1	2	1	1	1	2	2	1
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	–	–	–	–	–	–	–	–	–	–	–	–
9.2	Capital subscriptions to international investment agencies	–	–	–	–	–	–	–	–	–	–	–	–
10.1	Repayment of post-war loans and advances	–	–	–	–	–	–	–	–	–	–	–	–
10.2	Repayment of war loans and advances	–	–	–	–	–	–	–	–	–	–	–	–
10.3	British financial settlement and interim advances (net)	–	–	–	–	–	–	–	–	–	–	–	–
11	Columbia River Treaty, net	–	–	–	–	–	–	54	–	–	–	–	32
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	2	2	1	2	2	2	2	3	– 11	–	6	5
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	2	9	9	– 9	3	7	– 13	– 2	– 1	– 6	4	–
13.2	Other	10	– 30	21	64	– 7	23	80	21	59	– 7	– 7	– 6
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	– 16	30	– 3	20	9	– 1	– 24	50	24	– 27	– 19	27
14.2	Government of Canada demand liabilities	–	–	– 1	–	–	–	–	– 2	– 1	– 1	–	–
14.3	Canadian treasury bills	2	– 7	6	– 24	– 5	4	– 5	– 10	5	– 2	–	4
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	– 52	– 88	–147	43	159	106	– 60	– 99	–187	–263	–350	– 17
17.2	Canadian commerical paper, etc.	– 39	13	– 11	14	27	– 21	– 18	1	– 2	1	6	– 7
17.3	Canadian finance company paper	21	2	22	48	107	103	3	– 17	– 36	– 22	– 80	– 70
17.4	Canadian finance company obligations n.i.e.	– 11	18	– 1	29	– 2	1	16	37	26	98	90	– 9
17.5	All other transactions[1]	28	152	– 53	– 9	– 20	120	– 47	214	– 5	23	59	227
	Net capital movement (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	396	252	113	82	61	233	242	477	199	196	279	290
2	Short-term forms (D 14 to D 17)	– 67	120	–188	121	275	312	–135	174	–176	–193	–294	155
3	**Totals**	**329**	**372**	**– 75**	**203**	**336**	**545**	**107**	**651**	**23**	**3**	**– 15**	**445**
	Balance to be settled (C 4 + E 3)	**– 17**	**30**	**–131**	**–201**	**–205**	**38**	**– 12**	**–183**	**–566**	**–527**	**–185**	**–178**
	Balance settled by exchange transfers	**82**	**69**	**– 2**	**229**	**65**	**36**	**88**	**–162**	**409**	**528**	**330**	**232**
E + G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	65	99	–133	28	–140	74	76	21	–157	1	145	54
2	Change in net International Monetary Fund Position	–	–	–	–	–	–	–	–	–	–	–	–
3	Other special international financial assistance	–	–	–	–	–	–	–	–	–	–	–	–
4	**Totals**	**65**	**99**	**–133**	**28**	**–140**	**74**	**76**	**21**	**–157**	**1**	**145**	**54**

See footnote at end of table.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963-65 – Continued

No.	Account	Between Canada and the United Kingdom											
		1963				1964				1965[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	213	268	270	266	266	324	323	306	257	306	309	312
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	–	–	–	–	–	–	–	–	–	–	–	–
4	Travel expenditures	2	7	15	4	2	10	15	6	3	10	16	5
5	Interest and dividends	1	5	1	24	2	5	2	71	10	5	14	11
6	Freight and shipping	23	27	26	29	28	34	34	34	29	36	36	35
7	Inheritances and immigrants' funds	10	11	11	11	10	12	12	12	10	14	14	13
11	All other current receipts	20	20	19	18	24	24	25	29	29	27	27	27
12	**Total current receipts**	**269**	**338**	**342**	**352**	**332**	**409**	**411**	**458**	**338**	**398**	**416**	**403**
B	**Current payments:**												
1	Merchandise imports (adjusted)	103	139	136	143	136	171	134	143	140	157	154	173
4	Travel expenditures	9	15	31	15	12	17	36	15	8	23	40	18
5	Interest and dividends	26	14	22	20	35	17	24	28	26	17	24	24
6	Freight and shipping	21	24	24	25	20	22	23	24	23	24	24	24
7	Inheritances and emigrants' funds	2	4	5	4	2	6	10	6	5	8	11	6
9	Official contributions	–	–	–	–	–	–	–	–	–	–	–	–
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	26	25	26	25	40	27	28	29	30	28	29	29
12	**Total current payments**	**187**	**221**	**244**	**232**	**245**	**260**	**255**	**245**	**232**	**257**	**282**	**274**
C	**Current account balance:**												
1	Merchandise trade	+110	+129	+134	+123	+130	+153	+189	+163	+117	+149	+155	+139
2	Other transactions, excluding B9	– 28	– 12	– 36	– 3	– 43	– 4	– 33	+ 50	– 11	– 8	– 21	– 10
3	Official contributions	–	–	–	–	–	–	–	–	–	–	–	–
4	**Totals**	**+ 82**	**+117**	**+ 98**	**+120**	**+ 87**	**+149**	**+156**	**+213**	**+106**	**+141**	**+134**	**+129**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	6	17	6	9	12	– 4	10	37	2	– 2	1	–
2	Direct investment abroad	– 9	– 22	– 1	– 8	– 25	– 6	1	27	9	– 3	– 3	–
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	–	– 1	–	– 4	2	– 6	1	2	– 6	2	4	–
3.2	Trade in outstanding common and preference stocks	– 18	– 15	– 11	– 11	– 11	– 5	– 3	– 8	– 22	– 16	– 6	–
4	New issues	7	3	1	7	3	7	5	7	5	1	2	
5	Retirements	– 7	– 19	– 12	– 2	– 15	– 7	– 2	– 15	– 5	– 5	– 7	–
	Foreign securities:												
6	Trade in outstanding issues	2	1	– 3	– 2	– 3	– 2	1	– 4	1	– 1	–	–
7	New issues	–	–	–	–	–	–	–	–	–	–	–	–
8	Retirements	–	–	–	–	–	–	–	–	–	–	–	–
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	–	–	–	–	–	–	–	–	–	–	–	–
9.2	Capital subscriptions to international investment agencies	–	–	–	–	–	–	–	–	–	–	–	–
10.1	Repayment of post-war loans and advances	–	–	–	18	–	–	–	–	–	–	–	–
10.2	Repayment of war loans and advances	–	–	–	–	–	–	–	–	–	–	–	–
10.3	British financial settlement and interim advances (net)	–	–	–	–	–	–	–	–	–	–	–	–
11	Columbia River Treaty, net	–	–	–	–	–	–	–	–	–	–	–	–
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	–	–	–	–	–	–	–	–	–	–	–	–
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	– 1	–	–	–	1	–	–	–	–	–	–	–
13.2	Other	1	4	– 8	– 8	– 2	4	1	–	– 16	1	–	
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	– 6	1	– 8	14	– 9	3	– 4	– 1	3	3	– 2	12
14.2	Government of Canada demand liabilities	–	–	–	–	–	–	–	–	–	–	–	–
14.3	Canadian treasury bills	4	– 4	12	– 13	5	4	1	– 9	1	6	– 2	–
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	– 7	8	11	– 16	–117	–130	– 90	–246	204	298	61	– 12
17.2	Canadian commercial paper, etc.	–	1	– 1	–	–	–	–	–	–	1	2	–
17.3	Canadian finance company paper	–	–	–	–	–	–	–	–	1	2	4	–
17.4	Canadian finance company obligations n.i.e.	–	–	–	–	–	–	–	–	–	–	1	
17.5	All other transactions[1]	– 3	– 7	–	– 2	9	4	– 15	– 36	– 26	14	– 12	–
E	**Net capital movement** (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	– 19	– 32	– 28	– 1	– 38	– 19	14	46	– 32	– 23	– 9	– 10
2	Short-term forms (D 14 to D 17)	– 12	– 1	14	– 17	–112	–119	–108	–292	183	324	52	– 1
3	**Totals**	**– 31**	**– 33**	**– 14**	**– 18**	**–150**	**–138**	**– 94**	**–246**	**151**	**301**	**43**	**– 2**
F	**Balance to be settled** (C 4 + E 3)	**51**	**84**	**84**	**102**	**– 63**	**11**	**62**	**– 33**	**257**	**442**	**177**	**10**
G	**Balance settled by exchange transfers**	**– 50**	**– 72**	**– 96**	**–102**	**76**	**– 23**	**– 41**	**66**	**–218**	**–535**	**–178**	**–10**
H: C + E + G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	1	12	– 12	–	13	– 12	21	33	39	– 93	– 1	
2	Change in net International Monetary Fund Position	–	–	–	–	–	–	–	–	–	–	–	–
3	Other special international financial assistance	–	–	–	–	–	–	–	–	–	–	–	–
4	**Totals**	**1**	**12**	**– 12**	**–**	**13**	**– 12**	**21**	**33**	**39**	**– 93**	**– 1**	

See footnote at end of table.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963 - 65 — Continued

No.	Account	Between Canada and other sterling area countries											
		1963				1964				1965[P]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Current receipts:												
1	Merchandise exports (adjusted)	92	110	101	106	101	134	137	143	121	154	130	126
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	—	—	—	—	—	—	—	—	—	—	—	—
4	Travel expenditures	1	1	3	3	1	2	5	3	1	3	4	1
5	Interest and dividends	5	6	7	8	11	8	7	15	11	10	9	11
6	Freight and shipping	7	8	9	9	9	10	12	13	11	12	10	11
7	Inheritances and immigrants' funds	2	2	5	3	2	4	4	3	7	4	6	4
11	All other current receipts	3	3	3	3	3	3	4	4	5	4	6	5
12	**Total current receipts**	**110**	**130**	**128**	**132**	**127**	**161**	**169**	**181**	**156**	**187**	**165**	**158**
	Current payments:												
1	Merchandise imports (adjusted)	62	104	114	138	73	120	114	110	62	102	108	113
4	Travel expenditures	8	7	4	2	8	8	3	4	11	7	4	5
5	Interest and dividends	1	—	—	—	1	—	—	—	1	—	—	—
6	Freight and shipping	1	1	1	2	1	2	2	2	2	3	3	3
7	Inheritances and emigrants' funds	1	1	1	1	1	1	1	2	1	1	1	1
9	Official contributions	14	16	14	13	9	13	20	16	17	19	23	14
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	6	6	7	6	7	7	6	6	7	8	7	8
12	**Total current payments**	**93**	**135**	**141**	**162**	**100**	**151**	**146**	**140**	**101**	**140**	**146**	**144**
	Current account balance:												
1	Merchandise trade	+30	+ 6	−13	−32	+28	+14	+23	+33	+59	+52	+22	+13
2	Other transactions, excluding B 9	+ 1	+ 5	+14	+15	+ 8	+ 9	+20	+24	+13	+14	+20	+15
3	Official contributions	−14	−16	−14	−13	− 9	−13	−20	−16	−17	−19	−23	−14
4	**Totals**	**+17**	**− 5**	**−13**	**−30**	**+27**	**+10**	**+23**	**+41**	**+55**	**+47**	**+19**	**+14**
	Capital account:												
	Direct investment:												
1	Direct investment in Canada	− 1	− 1	− 1	− 8	1	1	1	1	1	1	—	1
2	Direct investment abroad	1	− 3	− 5	− 6	1	−23	−11	− 2	− 8	− 2	−18	−10
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	—	—	—	—	—	—	—	—	—	—	—	—
3.2	Trade in outstanding common and preference stocks	—	—	—	—	—	—	—	—	—	—	—	—
4	New issues	—	—	—	—	—	—	—	—	—	—	—	—
5	Retirements	—	—	—	—	—	—	—	—	—	—	—	—
	Foreign securities:												
6	Trade in outstanding issues	− 1	—	—	—	—	—	—	—	—	—	—	—
7	New issues	—	—	—	—	—	− 4	—	—	—	—	—	− 5
8	Retirements	—	—	—	1	—	—	—	1	1	—	—	—
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	—	—	− 8	− 2	− 1	—	− 1	—	—	—	—	− 1
9.2	Capital subscriptions to international investment agencies	—	—	—	—	—	—	—	—	—	—	—	—
10.1	Repayment of post-war loans and advances	—	4	—	1	4	1	1	2	5	—	1	2
10.2	Repayment of war loans and advances	—	—	—	—	—	—	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—	—	—	—	—	—	—
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	− 1	− 2	− 1	—	—	− 7	− 7	− 3	− 3	− 9	− 3	− 2
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	—	—	—	—	—	—	—	—	—	—	—	—
13.2	Other	1	1	1	1	− 2	− 1	1	− 5	− 1	− 5	1	− 1
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	− 1	2	1	3	—	—	1	4	− 3	1	1	− 1
14.2	Government of Canada demand liabilities	—	—	—	—	—	—	—	—	—	—	—	—
14.3	Canadian treasury bills	—	—	—	—	—	—	—	—	—	—	—	—
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	—	—	1	—	26	−29	10	5	3	10	45	−13
17.2	Canadian commercial paper, etc.	—	—	—	—	—	—	—	—	—	—	—	—
17.3	Canadian finance company paper	—	—	—	—	—	—	—	—	—	—	—	—
17.4	Canadian finance company obligations n.i.e.	—	—	—	—	—	—	—	—	—	—	—	—
17.5	All other transactions[1]	3	—	6	− 1	−11	− 3	− 5	− 3	− 1	− 2	− 2	10
	Net capital movement (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	− 1	− 1	−14	−13	3	−33	−16	− 6	− 5	−15	−19	−16
2	Short-term forms (D 14 to D 17)	2	2	8	2	15	−32	6	6	− 1	9	44	− 4
3	**Totals**	**1**	**1**	**− 6**	**−11**	**18**	**−65**	**−10**	**—**	**− 6**	**− 6**	**25**	**−20**
	Balance to be settled (C 4 + E 3)	**18**	**− 4**	**−19**	**−41**	**45**	**−55**	**13**	**41**	**49**	**41**	**44**	**− 6**
	Balance settled by exchange transfers	**−18**	**4**	**19**	**41**	**−45**	**55**	**−13**	**−41**	**−49**	**−41**	**−44**	**6**
E + G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	—	—	—	—	—	—	—	—	—	—	—	—
2	Change in net International Monetary Fund Position	—	—	—	—	—	—	—	—	—	—	—	—
3	Other special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—
4	**Totals**	—	—	—	—	—	—	—	—	—	—	—	—

See footnote at end of table.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963-65 – Continued

No.	Account	Between Canada and other OECD countries in Europe											
		1963				1964				1965[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	119	169	180	194	144	190	199	216	169	189	226	256
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	–	–	–	–	–	–	–	–	–	–	–	–
4	Travel expenditures	2	7	4	3	2	5	7	3	4	7	12	4
5	Interest and dividends	–	4	–	4	1	4	–	3	1	3	1	3
6	Freight and shipping	14	17	19	18	15	18	21	22	17	20	23	24
7	Inheritances and immigrants' funds	3	7	6	5	4	7	5	5	6	11	10	7
11	All other current receipts	11	11	11	12	11	12	12	13	12	13	13	25
12	**Total current receipts**	**149**	**215**	**220**	**236**	**177**	**236**	**244**	**262**	**209**	**243**	**285**	**319**
B	**Current payments:**												
1	Merchandise imports (adjusted)	75	127	122	150	94	152	142	170	112	193	183	219
4	Travel expenditures	12	20	34	20	14	24	45	22	12	24	45	25
5	Interest and dividends	11	13	12	12	11	13	12	16	13	15	13	16
6	Freight and shipping	29	34	36	38	31	37	39	39	35	41	42	43
7	Inheritances and emigrants' funds	2	3	3	3	2	3	3	3	2	3	4	4
9	Official contributions	–	–	1	1	–	1	–	–	–	–	1	–
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	39	38	39	38	38	42	34	39	39	42	43	45
12	**Total current payments**	**168**	**235**	**247**	**262**	**190**	**272**	**275**	**289**	**213**	**318**	**331**	**352**
C	**Current account balance:**												
1	Merchandise trade	+44	+42	+58	+44	+50	–38	+57	+46	+ 57	– 4	+ 43	+ 37
2	Other transactions, excluding B 9	–63	–62	–84	–69	–63	–73	–88	–73	– 61	–71	– 88	– 70
3	Official contributions	–	–	– 1	– 1	–	– 1	–	–	–	–	– 1	–
4	**Totals**	**–19**	**–20**	**–27**	**–26**	**–13**	**–36**	**–31**	**–27**	**– 4**	**–75**	**– 46**	**– 33**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	16	8	7	6	10	7	4	6	7	14	12	14
2	Direct investment abroad	– 6	–10	–10	– 7	– 1	– 8	– 1	– 8	– 3	– 2	– 8	– 4
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	4	4	– 2	–	1	12	12	17	3	6	17	5
3.2	Trade in outstanding common and preference stocks	– 8	–	– 2	– 6	– 3	– 3	– 5	– 8	– 10	–11	– 2	– 8
4	New issues	6	7	4	5	6	6	3	5	7	5	6	10
5	Retirements	– 7	–24	– 4	– 7	– 7	–13	– 4	– 7	– 5	– 8	– 8	– 4
	Foreign securities:												
6	Trade in outstanding issues	–	–	1	– 1	6	1	– 3	– 1	2	–	– 1	– 2
7	New issues	–	–	–	–	–	–	–	–	–	–	–	–
8	Retirements	–	–	–	–	–	–	–	–	–	–	–	–
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	–	–	–	–	–	–	–	–	–	–	–	–
9.2	Capital subscriptions to international investment agencies	–	–	–	–	–	–	–	–	–	–	–	–
10.1	Repayment of post-war loans and advances	–	2	–	–	–	2	–	–	–	2	–	–
10.2	Repayment of war loans and advances	–	–	–	–	–	–	–	–	–	–	–	–
10.3	British financial settlement and interim advances (net)	–	–	–	–	–	–	–	–	–	–	–	–
11	Columbia River Treaty, net	–	–	–	–	–	–	–	–	–	–	–	–
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	–	–	1	–	–	–	–	–	–	–	– 2	– 2
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	3	– 1	–	– 1	–	– 1	– 1	–	–	–	–	–
13.2	Other	–	6	3	9	– 1	– 1	3	– 2	9	4	– 1	6
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	– 5	3	1	7	20	–17	– 2	–	– 1	1	– 1	9
14.2	Government of Canada demand liabilities	–	–	–	–	–	–	–	–	–	–	–	–
14.3	Canadian treasury bills	–	– 1	1	1	– 1	6	– 6	–	–	–	– 1	–
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	– 2	– 2	– 2	– 2	54	–38	– 4	–10	98	39	145	–106
17.2	Canadian commercial paper, etc.	–	1	1	– 2	–	1	–	– 1	1	1	–	– 2
17.3	Canadian finance company paper	– 1	–	–	1	– 1	1	–	–	1	3	–	–
17.4	Canadian finance company obligations n.i.e.	–	–	–	–	–	–	–	–	–	1	– 1	–
17.5	All other transactions[1]	– 5	– 4	3	– 1	8	1	14	10	1	– 2	– 4	11
E	**Net capital movement** (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	8	– 8	– 2	– 2	11	2	8	2	10	10	13	15
2	Short-term forms (D 14 to D 17)	–13	– 3	4	4	81	–48	3	– 1	100	43	138	– 84
3	**Totals**	**– 5**	**–11**	**2**	**2**	**92**	**–46**	**11**	**1**	**110**	**53**	**151**	**– 73**
F	**Balance to be settled** (C 4 + E 3)	**–24**	**–31**	**–25**	**–24**	**79**	**–82**	**–20**	**–26**	**106**	**–22**	**105**	**–106**
G	**Balance settled by exchange transfers**	**24**	**31**	**25**	**24**	**–79**	**82**	**20**	**26**	**–106**	**22**	**–105**	**106**
H = C + E + G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	–	–	–	–	–	–	–	–	–	–	–	–
2	Change in net International Monetary Fund Position	–	–	–	–	–	–	–	–	–	–	–	–
3	Other special international financial assistance	–	–	–	–	–	–	–	–	–	–	–	–
4	**Totals**	–	–	–	–	–	–	–	–	–	–	–	–

See footnote at end of table.

TABLE 3. Quarterly Statements of the Canadian Balance of International Payments, 1963 - 65 – Concluded

No.	Account	Between Canada and all other countries											
		1963				1964				1965[p]			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	**Current receipts:**												
1	Merchandise exports (adjusted)	173	217	221	413	267	422	375	295	209	271	329	388
2	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	—	—	—	—	—	—	—	—	—	—	—	—
4	Travel expenditures	—	3	3	2	1	3	3	4	2	5	8	2
5	Interest and dividends	3	2	2	3	3	2	3	5	4	3	4	6
6	Freight and shipping	14	17	18	29	18	26	25	24	19	18	21	24
7	Inheritances and immigrants' funds	1	3	3	3	2	2	5	3	4	2	4	4
11	All other current receipts	7	6	6	5	7	8	9	10	13	15	12	14
12	**Total current receipts**	**198**	**248**	**253**	**455**	**298**	**463**	**420**	**341**	**251**	**314**	**378**	**438**
B	**Current payments:**												
1	Merchandise imports (adjusted)	142	173	199	194	161	195	207	211	175	219	235	248
4	Travel expenditures	6	6	5	3	7	7	5	4	8	7	6	5
5	Interest and dividends	—	1	—	1	—	1	1	1	—	1	1	1
6	Freight and shipping	6	8	9	11	8	8	11	11	9	11	13	13
7	Inheritances and emigrants' funds	—	1	—	2	—	1	1	2	—	1	1	2
9	Official contributions	1	2	1	2	3	2	2	3	6	1	7	4
10	Mutual aid to NATO countries	..	..	..	..	..	..	..	..	..	..	..	..
11	All other current payments	11	11	12	14	15	15	14	14	16	17	16	16
12	**Total current payments**	**166**	**202**	**226**	**227**	**194**	**229**	**241**	**246**	**214**	**257**	**279**	**289**
C	**Current account balance:**												
1	Merchandise trade	+31	+44	+22	+219	+106	+227	+168	+84	+34	+52	+94	+140
2	Other transactions, excluding B 9	+ 2	+ 4	+ 6	+ 11	+ 1	+ 9	+ 13	+14	+ 9	+ 6	+12	+ 13
3	Official contributions	- 1	- 2	- 1	- 2	- 3	- 2	- 2	- 3	- 6	- 1	- 7	- 4
4	**Totals**	**+32**	**+46**	**+27**	**+228**	**+104**	**+234**	**+179**	**+95**	**+37**	**+57**	**+99**	**+149**
D	**Capital account:**												
	Direct investment:												
1	Direct investment in Canada	- 1	- 1	- 1	- 1	- 1	- 1	- 1	- 1	3	—	1	—
2	Direct investment abroad	- 3	- 3	- 4	- 3	- 1	- 2	—	- 1	- 1	—	—	- 1
	Canadian securities:												
3.1	Trade in outstanding bonds and debentures	—	2	1	—	—	—	1	- 3	1	—	—	5
3.2	Trade in outstanding common and preference stocks	—	—	—	—	—	—	—	—	—	—	—	—
4	New issues	—	11	—	3	—	9	5	4	—	—	—	—
5	Retirements	—	- 6	—	- 1	—	- 9	—	- 3	—	- 5	—	- 3
	Foreign securities:												
6	Trade in outstanding issues	—	—	—	1	—	—	—	—	—	—	—	—
7	New issues	- 1	- 1	- 1	- 2	- 2	- 1	- 1	- 3	-19	- 2	—	- 3
8	Retirements	—	1	1	1	1	1	1	1	1	13	1	3
	Loans, capital subscriptions, etc., by Government of Canada:												
9.1	Loans and advances by Government of Canada	—	—	—	—	—	—	—	—	—	—	—	—
9.2	Capital subscriptions to international investment agencies	—	—	—	- 8	—	—	—	- 8	—	—	—	- 13
10.1	Repayment of post-war loans and advances	—	—	—	—	—	—	—	—	—	—	—	—
10.2	Repayment of war loans and advances	—	—	—	—	—	—	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—	—	—	—	—	—	—
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	—	-10	-38	- 28	- 33	- 47	- 41	-35	-28	-52	-55	- 31
	Long-term capital transactions n.i.e.:												
13.1	Finance company borrowing	—	—	—	—	—	—	—	—	—	—	—	—
13.2	Other	2	—	—	- 3	2	—	—	2	- 1	12	5	- 1
	Change in Canadian dollar holdings of foreigners:												
14.1	Deposits	—	2	- 2	—	—	6	- 7	—	15	-15	2	2
14.2	Government of Canada demand liabilities	—	- 3	—	5	—	- 3	—	5	—	- 3	- 5	12
14.3	Canadian treasury bills	3	- 5	- 1	- 1	5	—	- 6	1	21	-14	1	- 1
	Other capital movements:												
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	- 1	—	- 1	- 1	28	- 37	- 21	-35	52	57	25	49
17.2	Canadian commercial paper, etc.	—	—	—	—	—	—	—	—	—	5	- 5	11
17.3	Canadian finance company paper	—	—	—	—	—	—	—	—	—	15	15	15
17.4	Canadian finance company obligations n.i.e.	—	—	—	—	—	—	—	—	—	—	—	—
17.5	All other transactions[1]	7	- 1	51	2	- 1	6	4	- 3	1	- 1	1	—
E	**Net capital movement** (excluding monetary items shown below) in:												
1	Long-term forms (D 1 to D 13)	- 3	- 7	-42	- 41	- 34	- 50	- 36	-47	-44	-34	-48	- 44
2	Short-term forms (D 14 to D 17)	9	- 7	47	5	32	- 28	- 30	-32	89	44	34	78
3	**Totals**	**6**	**-14**	**5**	**- 36**	**- 2**	**- 78**	**- 66**	**-79**	**45**	**10**	**-14**	**34**
F	**Balance to be settled** (C4 + E3)	**38**	**32**	**32**	**192**	**102**	**156**	**113**	**16**	**82**	**67**	**85**	**183**
G	**Balance settled by exchange transfers**	**-38**	**-32**	**54**	**-192**	**- 17**	**-150**	**- 54**	**111**	**-36**	**26**	**- 3**	**-236**
H= C+E+G	**Official monetary movements** in the form of:												
1	Change in official holdings of gold and foreign exchange	—	—	—	—	—	—	—	—	—	—	—	—
2	Change in net International Monetary Fund Position	—	—	86	—	85	6	59	127	46	93	82	- 53
3	Other special international financial assistance	—	—	—	—	—	—	—	—	—	—	—	—
4	**Totals**	**—**	**—**	**86**	**—**	**85**	**6**	**59**	**127**	**46**	**93**	**82**	**- 53**

[1] Includes changes in loans and accounts receivable and payable, and also balancing item representing differences between direct measurements of current and capital accounts.

TABLE 4. Annual Statements of the Canadian Balance of International Payments, by Area, 1963 - 65

No.	Account	1963					
		Total	U.S.	U.K.	RSA	OECD	Other
		millions of dollars					
A	**Current receipts:**						
1	Merchandise exports (adjusted)	7,082	3,970	1,017	409	662	1,024
2	Mutual aid to NATO countries	23	..	..	..	..	..
3	Gold production available for export	154	154	—	—	—	—
4	Travel expenditures	609	549	28	8	16	8
5	Interest and dividends	230	155	31	26	8	10
6	Freight and shipping	563	279	105	33	68	78
7	Inheritances and immigrants' funds	151	65	43	12	21	10
11	All other current receipts	500	342	77	12	45	24
12	**Total current receipts**	**9,312**	**5,514**	**1,301**	**500**	**820**	**1,154**
B	**Current payments:**						
1	Merchandise imports (adjusted)	6,579	4,458	521	418	474	708
4	Travel expenditures	585	388	70	21	86	20
5	Interest and dividends	860	727	82	1	48	2
6	Freight and shipping	648	378	94	5	137	34
7	Inheritances and emigrants' funds	185	152	15	4	11	3
9	Official contributions	65	—	—	57	2	6
10	Mutual aid to NATO countries	23	..	..	..	..	..
11	All other current payments	888	559	102	25	154	48
12	**Total current payments**	**9,833**	**6,662**	**884**	**531**	**912**	**821**
C	**Current account balance:**						
1	Merchandise trade	+503	− 488	+496	− 9	+188	+316
2	Other transactions, excluding B 9	−959	− 660	− 79	+35	−278	+ 23
3	Official contributions	− 65	—	—	−57	− 2	− 6
4	**Totals**	**−521**	**−1,148**	**+417**	**−31**	**− 92**	**+333**
D	**Capital account:**						
	Direct investment:						
1	Direct investment in Canada	280	220	38	−11	37	− 4
2	Direct investment abroad	−135	− 36	− 40	−13	− 33	− 13
	Canadian securities:						
3.1	Trade in outstanding bonds and debentures	39	35	− 5	—	6	3
3.2	Trade in outstanding common and preference stocks	−170	− 99	− 55	—	− 16	—
4	New issues	984	930	18	—	22	14
5	Retirements	−404	− 315	− 40	—	− 42	− 7
	Foreign securities:						
6	Trade in outstanding issues	40	42	− 2	− 2	—	1
7	New issues	− 39	− 34	—	—	—	− 5
8	Retirements	21	17	—	1	—	3
	Loans, capital subscriptions, etc., by Government of Canada:						
9.1	Loans and advances by Government of Canada	− 10	—	—	−10	—	—
9.2	Capital subscriptions to international investment agencies	− 8	—	—	—	—	− 8
10.1	Repayment of post-war loans and advances	25	—	18	5	2	—
10.2	Repayment of war loans and advances	—	—	—	—	—	—
10.3	British financial settlement and interim advances (net)	—	—	—	—	—	—
11	Columbia River Treaty, net	—	—	—	—	—	—
12	Export credits extended from Canada directly or indirectly at risk of the Government of Canada	− 72	7	—	− 4	1	− 76
	Long-term capital transactions n.i.e.:						
13.1	Finance company borrowing	11	11	− 1	—	1	—
13.2	Other	75	65	− 11	4	18	− 1
	Change in Canadian dollar holdings of foreigners:						
14.1	Deposits	43	31	1	5	6	—
14.2	Government of Canada demand liabilities	1	− 1	—	—	—	2
14.3	Canadian treasury bills	− 27	− 23	− 1	—	1	− 4
	Other capital movements:						
17.1	Bank balances and other short-term funds abroad (excluding official reserves)	−258	− 244	− 4	1	− 8	− 3
17.2	Canadian commercial paper, etc.	− 23	− 23	—	—	—	—
17.3	Canadian finance company paper	93	93	—	—	—	—
17.4	Canadian finance company obligations n.i.e.	35	35	—	—	—	—
17.5	All other transactions[1]	166	118	− 12	8	− 7	59
E	**Net capital movement** (excluding monetary items shown below) in:						
1	Long-term forms (D 1 to D 13)	637	843	− 80	−29	− 4	− 93
2	Short-term forms (D 14 to D 17)	30	− 14	− 16	14	− 8	54
3	**Totals**	**667**	**829**	**− 96**	**−15**	**− 12**	**− 39**
F	**Balance to be settled** (C 4 + E 3)	**146**	**− 319**	**321**	**−46**	**−104**	**294**
G	**Balance settled by exchange transfers**	**—**	**378**	**−320**	**46**	**104**	**−208**
H = C + E + G	**Official monetary movements** in the form of:						
1	Change in official holdings of gold and foreign exchange	60	59	1	—	—	—
2	Change in net International Monetary Fund Position	86	—	—	—	—	86
3	Other special international financial assistance	—	—	—	—	—	—
4	**Totals**	**146**	**59**	**1**	**—**	**—**	**86**

[1] Includes changes in loans and accounts receivable and payable, and also balancing item representing differences between direct measurements of current and capital accounts.

TABLE 4. Annual Statements of the Canadian Balance of International Payments, by Area, 1963 - 65

1964						1965p						
Total	U.S.	U.K.	RSA	OECD	Other	Total	U.S.	U.K.	RSA	OECD	Other	No.
millions of dollars												
												A
8,238	4,396	1,219	515	749	1,359	8,745	4,993	1,184	531	840	1,197	1
47	..	..	..	..	..	39	..	..	..	..	..	2
145	145	..	..	–	–	138	138	–	–	–	–	3
662	590	33	11	17	11	747	660	34	9	27	17	4
332	190	80	41	8	13	310	204	40	41	8	17	5
644	301	130	44	76	93	673	327	136	44	84	82	6
169	77	46	13	21	12	211	91	51	21	34	14	7
557	359	102	14	48	34	640	393	110	20	63	54	11
10,794	**6,058**	**1,610**	**638**	**919**	**1,522**	**11,503**	**6,806**	**1,555**	**666**	**1,056**	**1,381**	12
												B
7,537	5,204	584	417	558	774	8,627	6,034	624	385	707	877	1
712	481	80	23	105	23	779	531	89	27	106	26	4
1,010	850	104	1	52	3	1,071	919	91	1	57	3	5
679	399	89	7	146	38	755	442	95	11	161	46	6
201	157	24	5	11	4	211	160	30	4	13	4	7
69	–	–	58	1	10	92	–	–	73	1	18	9
47	..	..	..	..	..	39	..	..	..	..	..	10
963	602	124	26	153	58	1,012	632	116	30	169	65	11
11,218	**7,693**	**1,005**	**537**	**1,026**	**910**	**12,586**	**8,718**	**1,045**	**531**	**1,214**	**1,039**	12
												C
701	– 808	635	98	191	585	118	–1,041	560	146	133	320	1
–1,056	– 827	– 30	61	–297	37	–1,109	– 871	– 50	62	–290	40	2
– 69	–	–	–58	– 1	– 10	– 92	–	–	– 73	– 1	– 18	3
– 424	**1,635**	**605**	**101**	**–107**	**612**	**–1,083**	**–1,912**	**510**	**135**	**–158**	**342**	4
												D
270	188	55	4	27	– 4	405	353	2	3	47	4	1
– 95	– 35	– 3	–35	– 18	– 4	– 125	– 70	2	– 38	– 17	– 2	2
77	38	– 1		42	– 2	62	28	– 3	–	31	6	3.1
– 98	– 52	– 27	–	– 19		– 264	– 183	– 50		– 31	–	3.2
1,100	1,040	22		20	18	1,209	1,166	15	–	28		4
– 382	– 300	– 39	–	– 31	– 12	– 382	– 326	– 23	–	– 25	– 8	5
– 31	– 26	– 8	–	3	–	– 53	– 51	– 1	–	– 1		6
– 31	– 20	–	– 4	–	– 7	– 56	– 27	–	– 5	–	– 24	7
10	5	–	1		4	25	6	–	1	–	18	8
– 2	–	–	– 2	–	–	– 1	–		– 1			9.1
– 8	–	–	–		– 8	– 13	–	–	–	–	– 13	9.2
10	–		8	2	–	10	–		8	2	–	10.1
–	–	–	–	–		–		–	–	–	–	10.2
–	–	–	–	–	–		–	–	–			10.3
54	54	–			–	32	32	–		–	–	11
– 164	9		–17	–	–156	– 187	–	–	– 17	– 4	–166	12
– 6	– 5	1		– 2	–	– 3	– 3		–		–	13.1
116	117	3	– 7	– 1	4	54	39	– 12	– 6	18	15	13.2
28	34	– 11	5	1	– 1	31	5	16	– 2	8	4	14.1
–	– 2	–	–		2	2	– 2		–	–	4	14.2
– 16	– 16	1	–	– 1	–	12	7	– 1	–	– 1	7	14.3
– 528	106	–583	12	2	– 65	138	– 817	551	45	176	183	17.1
– 11	11	–		–	–	10	– 2	1	–		11	17.2
196	196	–	–	–	–	162	– 208	7		4	35	17.3
52	52	–	–		–	209	205	4		–		17.4
246	267	– 38	–22	33	6	287	304	– 29	5	6	1	17.5
												E
820	1,013	3	–52	23	167	713	964	– 74	– 55	48	–170	1
– 33	626	–631	– 5	35	– 58	527	– 508	549	48	193	245	2
787	**1,639**	**–628**	**57**	**58**	**–225**	**1,240**	**456**	**475**	**– 7**	**241**	**75**	3
363	**4**	**– 23**	**44**	**– 49**	**387**	**157**	**–1,456**	**985**	**128**	**83**	**417**	F
–	**27**	**78**	**–44**	**49**	**–110**	**–**	**1,499**	**–1,039**	**–128**	**– 83**	**–249**	G
												H = C + E + G
86	31	55	–		–	– 11	43	– 54		–	–	1
277	–			–	277	168		–	–	–	168	2
–	–	–				–		–	–	–	–	3
363	**31**	**55**	**–**	**–**	**277**	**157**	**43**	**– 54**	**–**	**–**	**168**	4

TABLE 5. United States Direct Investment in Canada, Industrial Distribution of Capital Movements and Reconciliation with Change in Book Value, 1955-64

A minus sign indicates an outflow

Industry	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
	millions of dollars									
Direct investment:										
Gross inflows:										
Petroleum and natural gas industry[1]	198	254	262	209	203	180	156	156	144	129
Mining	57	76	81	81	141	209	157	165	107	134
Pulp and paper	35	43	48	19	18	26	13	13	7	37
Manufacturing	87	135	121	95	158	138	149	178	164	247
Utilities	9	2	4	3	8	14	7	18	–	1
Merchandising	24	20	33	14	35	20	32	55	22	33
Financial	21	24	25	8	34	40	49	30	39	40
Miscellaneous	12	18	19	16	16	23	41	22	10	28
Totals	**443**	**572**	**593**	**445**	**613**	**650**	**604**	**637**	**493**	**649**
Gross outflows:										
Petroleum and natural gas industry[1]	2	22	25	8	33	22	50	44	88	69
Mining	4	22	25	8	35	13	47	24	61	123
Pulp and paper	44	4	15	24	24	13	3	29	11	47
Manufacturing	53	36	70	62	60	89	66	150	67	109
Utilities	7	1	3	1	1	2	10	5	8	6
Merchandising	6	8	22	19	20	31	21	21	12	53
Financial	3	3	18	6	4	7	27	13	5	21
Miscellaneous	7	11	12	13	8	12	14	23	21	33
Totals	**126**	**107**	**190**	**141**	**185**	**189**	**238**	**309**	**273**	**461**
Net capital flows for direct investment:										
Petroleum and natural gas industry[1]	196	232	237	201	170	158	106	112	56	60
Mining	53	54	56	73	106	196	110	141	46	11
Pulp and paper	– 9	39	33	–5	–6	13	10	–16	– 4	– 10
Manufacturing	34	99	51	33	98	49	83	28	97	138
Utilities	2	1	1	2	7	12	– 3	13	– 8	– 5
Merchandising	18	12	11	–5	15	–11	11	34	10	– 20
Financial	18	21	7	2	30	33	22	17	34	19
Miscellaneous	5	7	7	3	8	11	27	– 1	–11	– 5
Totals	**317**	**465**	**403**	**304**	**428**	**461**	**366**	**328**	**220**	**188**
Other capital movements:[2]										
Petroleum and natural gas industry[1]	17	130	130	47	19	–10	87	43	44	– 37
Mining	–29	13	17	53	44	24	82	–14	–15	65
Pulp and paper	– 2	–	–9	–4	–1	19	–	23	– 2	–
Manufacturing	16	1	101	54	12	– 9	7	–12	–61	–136
Utilities	–2	–1	1	–1	–8	–14	14	– 6	17	24
Merchandising	–	1	–5	3	–2	7	10	–	3	2
Financial	62	126	11	33	46	62	68	85	67	12
Miscellaneous	1	–1	–5	–3	–1	– 2	–11	– 2	– 1	4
Totals	**63**	**269**	**241**	**182**	**109**	**77**	**257**	**117**	**52**	**– 66**
Net capital movements:										
Petroleum and natural gas industry[1]	213	362	367	248	189	148	193	155	100	23
Mining	24	67	73	126	150	220	192	127	31	76
Pulp and paper	–11	39	24	–9	–7	32	10	7	– 6	– 10
Manufacturing	50	100	152	87	110	40	90	16	36	2
Utilities	–	–	2	1	–1	– 2	11	7	9	19
Merchandising	18	13	6	–2	13	– 4	21	34	13	– 18
Financial	80	147	18	35	76	95	90	102	101	31
Miscellaneous	6	6	2	–	7	9	16	– 3	–12	– 1
Totals	**380**	**734**	**644**	**486**	**537**	**538**	**623**	**445**	**272**	**122**
Increase in undistributed earnings and other factors including revaluations, reclassifications, and similar accounting adjustments	346[3]	145[3]	436	87	330	99[3]	112	277	476	25
Net increase in book value	**726**	**879**	**1,080**	**573**	**867**	**637**	**735**	**722**	**748**	**147**

[1] Explorations, development, refining, transportation, distribution and marketing.

[2] New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States-controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.

[3] This figure is affected by unusually large reclassifications between United States direct and other investments.

Note: In addition to investment in new construction and new machinery and equipment included in business gross fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

TABLE 6. Estimated Constituents in the Value of Foreign Direct Investment in Canada, 1955-65

Item	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
	millions of dollars										
Net capital inflow for direct investment	445	650	545	430	570	670	560	505	280	270	405
Increase in undistributed earnings	335	400	425	235	350	280	240	305	410	455	..
Other factors[1]	184	90	291	86	106	16	65	113	84	–270[2]	..
Net increase in book value	964	1,140	1,261	751	1,026	966	865	923	774	455	..
Book value at year end	7,728	8,868	10,129	10,880	11,906	12,872	13,737	14,660	15,434	15,889*	..

[1] New issues, retirements, borrowing, investment abroad, etc. affecting the total value of foreign direct investment in Canada, and other factors including revaluations, reclassifications and similar accounting adjustments.
[2] See "*About the figures* —Foreign Direct and Short-term Investment in Canada, 1964, Discontinuities" on page 65.

TABLE 7. Foreign Direct Investment in Canada, by Area, 1955-65

Area	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
	millions of dollars										
United States	317	465	403	304	428	461	366	328	220	188	353
United Kingdom	79	101	73	94	88	117	125	62	38	55	–2
Rest of sterling area	–2	1	4	4	–1	5	9	–4	–11	4	3
Other OECD Europe	50	82	63	30	55	86	57	111	37	27	47
Other countries	1	1	2	–2	–	1	3	8	– 4	–4	4
All countries	**445**	**650**	**545**	**430**	**570**	**670**	**560**	**505**	**280**	**270**	**405**

TABLE 8. Canadian Direct Investment Abroad, by Area, 1955-65

Area	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
	millions of dollars										
United States	–63	– 68	–35	–	–10	–18	–25	6	– 36	–35	– 70
United Kingdom	– 2	– 5	3	– 5	–44	–15	–16	– 21	– 40	– 3	2
Rest of sterling area	–10	– 25	–26	–12	– 9	– 3	–20	– 41	– 13	–35	– 38
Other OECD Europe	–	1	– 3	– 6	– 6	–16	– 1	– 29	– 33	–18	– 17
Other countries	–10	– 8	–19	–17	–16	2	–18	– 20	– 13	– 4	– 2
All countries	**–85**	**–105**	**–80**	**–40**	**–85**	**–50**	**–80**	**–105**	**–135**	**–95**	**–125**

TABLE 9. Portfolio Transactions in Canadian Securities Between Canada and All Other Countries, 1961-65

No.		New issues									
		Payable in Canadian dollars only					Payable optionally or solely in foreign currency				
		1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
		millions of dollars									
	All countries										
	Bonds and debentures:										
1	Government of Canada, direct	37	22	38	43	28	–	134	135	–	–
2	Government of Canada, guaranteed	–	–	–	–	–	–	–	–	–	–
3	Provincial government (including guaranteed)	34	36	15	29	25	32	112	328	410	272
4	Municipal government (including guaranteed)	18	14	20	31	15	29	60	42	151	71
5	Corporation issues (including railways)	46	54	75	123	161	308	277	317	291	607
6	Sub-totals	135	126	148	226	229	369	583	822	852	950
7	Totals, common and preference stocks	44	20	14	22	30	–	–	–	–	–
8	**Totals, all securities**	**179**	**146**	**162**	**248**	**259**	**369**	**583**	**822**	**852**	**950**
	United States										
	Bonds and debentures:										
9	Government of Canada, direct										
10	Government of Canada, guaranteed										
11	Provincial government (including guaranteed)										
12	Municipal government (including guaranteed)										
13	Corporation issues (including railways)										
14	Sub-totals										
15	Totals, common and preference stocks										
16	**Totals, all securities**										
	United Kingdom										
	Bonds and debentures:										
17	Government of Canada, direct										
18	Government of Canada, guaranteed										
19	Provincial government (including guaranteed)										
20	Municipal government (including guaranteed)										
21	Corporation issues (including railways)										
22	Sub-totals										
23	Totals, common and preference stocks										
24	**Totals, all securities**										
	Other sterling area										
	Bonds and debentures:										
25	Government of Canada, direct										
26	Government of Canada, guaranteed										
27	Provincial government (including guaranteed)										
28	Municipal government (including guaranteed)										
29	Corporation issues (including railways)										
30	Sub-totals										
31	Totals, common and preference stocks										
32	**Totals, all securities**										
	Other OECD (Europe)										
	Bonds and debentures:										
33	Government of Canada, direct										
34	Government of Canada, guaranteed										
35	Provincial government (including guaranteed)										
36	Municipal government (including guaranteed)										
37	Corporation issues (including railways)										
38	Sub-totals										
39	Totals, common and preference stocks										
40	**Totals, all securities**										
	Other countries										
	Bonds and debentures:										
41	Government of Canada, direct										
42	Government of Canada, guaranteed										
43	Provincial government (including guaranteed)										
44	Municipal government (including guaranteed)										
45	Corporation issues (including railways)										
46	Sub-totals										
47	Totals, common and preference stocks										
48	**Totals, all securities**										

Data not available.

TABLE 9. Portfolio Transactions in Canadian Securities Between Canada and All Other Countries, 1961-65

New issues					Trade in outstanding issues					Retirements					Totals					
Totals																				
1961	1962	1963	1964	1965	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965	No.
millions of dollars																				
37	156	173	43	28	52	54	27	41	38	– 46	– 72	– 74	– 88	– 81	43	138	126	– 4	– 15	1
–	–	–	–	–	23	– 4	15	19	15	– 2	– 14	– 2	–	–	21	– 18	13	19	15	2
66	148	343	439	297	–10	9	1	15	12	– 24	– 22	– 70	– 66	– 34	32	135	274	388	275	3
47	74	62	182	86	3	10	1	5	8	– 38	– 41	– 77	– 53	– 50	12	43	– 14	134	44	4
354	331	392	414	768	– 7	– 5	– 5	– 3	– 11	–136	–140	–101	–117	–209	211	186	286	294	548	5
504	709	970	1,078	1,179	61	64	39	77	62	–246	–289	–324	–324	–374	319	484	685	831	867	6
44	20	14	22	30	39	–115	–170	–98	–264	– 55	– 30	– 80	– 58	– 8	28	–125	–236	–134	–242	7
548	**729**	**984**	**1,100**	**1,209**	**100**	**– 51**	**–131**	**–21**	**–202**	**–301**	**–319**	**–404**	**–382**	**–382**	**347**	**359**	**449**	**697**	**625**	8
5	144	142	9	9	44	64	17	16	12	– 18	– 42	– 33	– 31	– 35	31	166	126	– 6	– 14	9
–	–	–	–	–	19	– 9	9	– 1	1	–	– 8	–	–	–	19	– 17	9	– 1	1	10
54	136	337	430	290	– 2	13	6	15	13	– 17	– 13	– 66	– 62	– 32	35	136	277	383	271	11
46	73	61	179	86	3	11	1	6	8	– 35	– 38	– 75	– 52	– 48	14	46	– 13	133	46	12
350	323	382	410	764	10	5	2	2	– 6	–119	–127	– 94	–114	–204	241	201	290	298	554	13
455	676	922	1,028	1,149	74	84	35	38	28	–189	–228	–268	–259	–319	340	532	689	807	858	14
34	14	8	12	17	122	– 11	– 99	– 52	–183	– 31	– 19	– 47	– 41	– 7	125	– 16	–138	– 81	–173	15
489	**690**	**930**	**1,040**	**1,166**	**196**	**73**	**– 64**	**– 14**	**–155**	**–220**	**–247**	**–315**	**–300**	**–326**	**465**	**516**	**551**	**726**	**685**	16
9	5	11	7	8	– 2	6	–	– 3	– 3	– 4	– 13	– 17	– 17	– 16	3	– 2	– 6	– 13	– 11	17
–	–	–	–	–	1	1	– 1	2	3	– 1	–	– 1	–	–	–	1	– 2	2	3	18
7	8	3	4	2	– 1	– 1	– 1	2	–	– 2	– 8	– 4	– 3	– 2	4	– 1	– 2	3	–	19
1	1	–	1	–	–	–	–	–	–	– 3	– 2	– 1	– 1	– 1	– 2	– 1	– 1	–	– 1	20
1	1	2	1	–	–10	– 6	– 3	– 2	– 3	– 11	– 5	– 3	– 2	– 3	– 20	– 10	– 4	– 3	– 6	21
18	15	16	13	10	–12	–	– 5	– 1	– 3	– 21	– 28	– 26	– 23	– 22	– 15	– 13	– 15	– 11	– 15	22
6	3	2	9	5	–61	– 65	– 55	– 27	– 50	– 20	– 9	– 14	– 16	– 1	– 75	– 71	– 67	– 34	– 46	23
24	**18**	**18**	**22**	**15**	**–73**	**– 65**	**– 60**	**– 28**	**– 53**	**– 41**	**– 37**	**– 40**	**– 39**	**– 23**	**– 90**	**– 84**	**– 82**	**– 45**	**– 61**	24
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	26
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	27
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	28
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	29
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	30
–	–	–	–	–	– 3	–	–	–	–	–	–	–	–	–	– 3	–	–	–	–	31
–	**–**	**–**	**–**	**–**	**– 3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**– 3**	**–**	**–**	**–**	**–**	32
8	7	6	9	11	10	– 16	7	30	23	– 3	– 17	– 17	– 28	– 22	15	– 26	– 4	11	12	33
–	–	–	–	–	3	4	7	18	11	– 1	– 6	– 1	–	–	2	– 2	6	18	11	34
5	4	3	5	5	– 7	– 3	– 4	– 2	– 1	– 5	– 1	–	– 1	–	– 7	–	– 1	2	4	35
–	–	1	2	–	–	– 1	–	– 1	–	–	– 1	– 1	–	– 1	–	– 2	–	1	– 1	36
3	7	8	3	4	– 7	– 4	– 4	– 3	– 2	– 6	– 8	– 4	– 1	– 2	– 10	– 5	–	– 1	–	37
16	18	18	19	20	– 1	– 20	6	42	31	– 15	– 33	– 23	– 30	– 25	–	– 35	1	31	26	38
4	3	4	1	8	–19	– 39	– 16	– 19	– 31	– 4	– 2	– 19	– 1	–	– 19	– 38	– 31	– 19	– 23	39
20	**21**	**22**	**20**	**28**	**–20**	**– 59**	**– 10**	**23**	**–**	**– 19**	**– 35**	**– 42**	**– 31**	**– 25**	**– 19**	**– 73**	**– 30**	**12**	**3**	40
15	–	14	18	–	–	–	3	– 2	6	– 21	–	– 7	– 12	– 8	– 6	–	10	4	– 2	41
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	42
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	43
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	44
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	45
15	–	14	18	–	–	–	3	– 2	6	– 21	–	– 7	– 12	– 8	– 6	–	10	4	– 2	46
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	47
15	**–**	**14**	**18**	**–**	**–**	**–**	**3**	**– 2**	**6**	**– 21**	**–**	**– 7**	**– 12**	**– 8**	**– 6**	**–**	**10**	**4**	**– 2**	48

TABLE 10. Portfolio Transactions in Foreign Securities Between Canada and All Other Countries, 1961-65

	New issues					Trade in outstanding issues					Retirements					Totals				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
	millions of dollars																			
All countries																				
Bonds and debentures:																				
I Q	– 4	– 1	– 6	– 5	–22	6	– 8	8	– 1	1	2	5	5	2	3	4	– 4	7	– 4	–18
II Q	–16	– 4	– 3	– 8	– 3	–	– 1	3	– 3	2	2	5	5	3	15	–14	–	5	– 8	14
III Q	– 5	– 4	– 5	– 2	– 2	5	6	1	– 1	–	3	5	5	2	3	3	7	1	– 1	1
IV Q	– 5	– 5	–23	– 4	– 9	3	1	8	– 4	16	2	5	6	3	4	–	1	– 9	– 5	11
Year	–30	–14	–37	–19	–36	14	– 2	20	– 9	19	9	20	21	10	25	– 7	4	4	–18	8
Common and preference stocks:																				
I Q	– 1	– 1	– 1	– 1	– 5	– 3	–20	– 3	1	–15	–	–	–	–	–	– 4	–21	– 4	–	–20
II Q	– 3	– 1	–	– 3	– 4	–	–33	18	–23	–18	–	–	–	–	–	– 3	–34	18	–26	–22
III Q	– 2	– 1	–	– 3	– 6	– 4	–11	– 5	–	–18	–	–	–	–	–	– 6	–12	– 5	– 3	–24
IV Q	– 2	–	– 1	– 5	– 5	–13	– 2	10	–	–21	–	–	–	–	–	–15	– 2	9	– 5	–26
Year	– 8	– 3	– 2	–12	–20	–20	–66	20	–22	–72	–	–	–	–	–	–28	–69	18	–34	–92
All securities:																				
I Q	– 5	– 2	– 7	– 6	–27	3	–28	5	–	–14	2	5	5	2	3	–	–25	3	– 4	–38
II Q	–19	– 5	– 3	–11	– 7	–	–34	21	–26	–16	2	5	5	3	15	–17	–34	23	–34	– 8
III Q	– 7	– 5	– 5	– 5	– 8	1	– 5	– 4	– 1	–18	3	5	5	2	3	– 3	– 5	– 4	– 4	–23
IV Q	– 7	– 5	–24	– 9	–14	–10	– 1	18	– 4	– 5	2	5	6	3	4	–15	– 1	–	–10	–15
Totals	**–38**	**–17**	**–39**	**–31**	**–56**	**– 6**	**–68**	**40**	**–31**	**–53**	**9**	**20**	**21**	**10**	**25**	**–35**	**–65**	**22**	**–52**	**–84**
United States																				
Bonds and debentures	–13	–10	–32	– 8	– 8	14	– 4	16	– 7	21	5	17	17	5	6	6	3	1	–10	19
Common and preference stocks	– 6	– 3	– 2	–12	–19	– 7	–55	26	–19	–72	–	–	–	–	–	–13	–58	24	–31	–91
Totals, all securities	**–19**	**–13**	**–34**	**–20**	**–27**	**7**	**–59**	**42**	**–26**	**–51**	**5**	**17**	**17**	**5**	**6**	**– 7**	**–55**	**25**	**–41**	**–72**
United Kingdom																				
Bonds and debentures	–	–	–	–	–	– 2	–	4	– 2	– 2	–	1	–	–	–	– 2	1	4	– 2	– 2
Common and preference stocks	– 2	–	–	–	–	– 9	– 2	– 6	– 6	1	–	–	–	–	–	–11	– 2	– 6	– 6	1
Totals, all securities	**– 2**	**–**	**–**	**–**	**–**	**–11**	**– 2**	**– 2**	**– 8**	**– 1**	**–**	**1**	**–**	**–**	**–**	**–13**	**– 1**	**– 2**	**– 8**	**– 1**
Other sterling area																				
Bonds and debentures	–13	–	–	– 4	– 5	–	–	–	–	–	1	–	1	1	1	–12	–	1	– 3	– 4
Common and preference stocks	–	–	–	–	–	–	–	– 1	–	–	–	–	–	–	–	–	–	– 1	–	–
Totals, all securities	**–13**	**–**	**–**	**– 4**	**– 5**	**–**	**–**	**– 1**	**–**	**–**	**1**	**–**	**1**	**1**	**1**	**–12**	**–**	**–**	**– 3**	**– 4**
Other OECD (Europe)																				
Bonds and debentures	–	–	–	–	–	2	2	–	–	–	–	–	–	–	–	2	2	–	–	–
Common and preference stocks	–	–	–	–	–	– 4	–11	–	3	– 1	–	–	–	–	–	– 4	–11	–	3	– 1
Totals, all securities	**–**	**–**	**–**	**–**	**–**	**– 2**	**– 9**	**–**	**3**	**– 1**	**–**	**–**	**–**	**–**	**–**	**– 2**	**– 9**	**–**	**3**	**– 1**
Other countries																				
Bonds and debentures	– 4	– 4	– 5	– 7	–23	–	–	–	–	–	3	2	3	4	18	– 1	– 2	– 2	– 3	– 5
Common and preference stocks	–	–	–	–	– 1	–	2	1	–	–	–	–	–	–	–	–	2	1	–	– 1
Totals, all securities	**– 4**	**– 4**	**– 5**	**– 7**	**–24**	**–**	**2**	**1**	**–**	**–**	**3**	**2**	**3**	**4**	**18**	**– 1**	**–**	**1**	**– 3**	**– 6**

SECTION 2

Tables V to XXE relate to
Canada's International Investment Position.

Other related text and statements are listed in the Table of Contents at the front of the report.

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-64[1]

Item	1926	1930	1939	1945	1949	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
	billions of dollars														
Canadian liabilities:															
Direct investment VIII, X	1.8	2.4	2.3	2.7	3.6	7.7	8.9	10.1	10.9	11.9	12.9	13.7	14.7	15.4	15.9*
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.8	1.9	2.1	2.3	2.6	3.1	3.3	3.4	3.7	4.2	4.7
Other portfolio investments VIII	2.5	3.2	2.6	2.4	2.3	3.2	3.7	4.1	4.4	4.6	4.6	4.7	4.7	4.7	4.7
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.6	0.8	0.9	1.1	1.3	1.4	1.7	1.8	1.8	2.0
Foreign long-term investments in Canada VIII, IX	**6.0**	**7.6**	**6.9**	**7.1**	**8.0**	**13.5**	**15.6**	**17.5**	**19.0**	**20.9**	**22.2**	**23.6**	**24.9**	**26.1**	**27.4**
Equity of non-residents in Canadian assets abroad	..	..	0.2	0.2	0.3	0.7	0.8	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.6
Canadian dollar holdings of non-residents	..	..	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Gross liabilities[2]	**6.4**	**8.0**	**7.4**	**7.6**	**8.7**	**14.6**	**16.7**	**18.7**	**20.4**	**22.4**	**24.0**	**25.4**	**26.8**	**28.1**	**29.5**
United States[2]	3.5	4.9	4.5	5.4	6.4	11.1	12.6	14.1	15.5	17.0	18.0	19.3	20.6	22.0	23.1*
United Kingdom[2]	2.7	2.9	2.6	1.8	1.8	2.5	2.8	3.1	3.2	3.4	3.5	3.5	3.6	3.5	3.6
Other countries[2,3]	0.2	0.2	0.3	0.4	0.5	1.0	1.3	1.5	1.7	2.1	2.4	2.5	2.6	2.6	2.8
Short-term payables n.i.e.[4]	..	..	..	0.6	0.6	0.5	0.7	1.0	1.1	1.4	1.6	1.9	2.0	2.3	3.2*[5]
Gross liabilities	**6.4**[2]	**8.0**[2]	**7.4**[2]	**8.2**	**9.3**	**15.1**	**17.5**	**19.6**	**21.5**	**23.8**	**25.6**	**27.3**	**28.8**	**30.4**	**32.8**
Canadian assets:															
Direct investment VII	0.4	0.4	0.7	0.7	0.9	1.7	1.9	2.1	2.1	2.3	2.5	2.6	2.8	3.1	3.4
Portfolio investments VII	0.5	0.8	0.7	0.6	0.6	1.0	1.0	1.1	1.1	1.2	1.3	1.5	1.7	1.8	1.9
Government of Canada credits VII	—	—	—	0.7	2.0	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.3	1.3	1.5[6]
Government of Canada subscriptions to international investment agencies	—	—	—	—	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Miscellaneous investments[7]	—	—	—	—	—	-0.1	—	-0.1	-0.1	—	—	0.1	0.2	0.3	0.4
Canadian long-term investments abroad	**0.9**	**1.3**	**1.4**	**2.0**	**3.6**	**4.4**	**4.5**	**4.7**	**4.8**	**5.0**	**5.3**	**5.7**	**6.2**	**6.6**	**7.3**
Government of Canada holdings of gold and foreign exchange VI	—	—	0.5	1.7	1.2	1.9	1.9	1.8	1.9	1.8	1.8	2.2	2.7	2.8	2.9
Net IMF position	—	—	—	—	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	-0.1	-0.1	0.2
Other Canadian short-term holdings of exchange	[8]	[8]	—	0.1	0.1	0.4	0.6	0.9	1.0	1.0	1.2	1.1	1.0	1.3	1.8
Gross assets[2]	**1.3**	**1.5**	**1.9**	**3.9**	**5.1**	**6.8**	**7.1**	**7.5**	**7.7**	**8.0**	**8.5**	**9.2**	**9.8**	**10.6**	**12.2**
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	0.5	1.7	1.3	2.0	2.0	1.9	2.0	1.9	2.0	2.4	2.6	2.7	3.1
United States[2,9]	0.7	0.9	0.9	1.0	1.3	2.3	2.6	3.0	3.1	3.3	3.7	3.9	4.1	4.7*	4.9
United Kingdom[2,9]	0.1	0.1	0.1	0.7	1.6	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.6	1.9*	2.6
Other countries[2,3]	0.5	0.5	0.4	0.5	0.9	1.1	1.1	1.2	1.3	1.3	1.3	1.4	1.5	1.3*	1.6
Short-term receivables n.i.e.[4]	..	..	..	0.1	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4
Gross assets	**1.3**[2]	**1.5**[2]	**1.9**[2]	**4.0**	**5.3**	**7.1**	**7.5**	**7.9**	**8.2**	**8.5**	**9.0**	**9.7**	**10.2**	**11.1**	**12.7**
Canadian net international indebtedness:															
Net liabilities	**5.1**[2]	**6.5**[2]	**5.5**[2]	**4.2**	**4.0**	**8.0**	**10.0**	**11.8**	**13.3**	**15.3**	**16.6**	**17.6**	**18.6**	**19.3**	**20.1**
Government of Canada holdings of gold, foreign exchange and net IMF position	—	—	-0.5	-1.7	-1.3	-2.0	-2.0	-1.9	-2.0	-1.9	-2.0	-2.4	-2.6	-2.7	-3.1
United States[2,9]	2.8	4.0	3.6	4.4	5.1	8.7	10.0	11.1	12.4	13.6	14.3	15.4	16.5	17.3*	18.2*
United Kingdom[2,9]	2.6	2.8	2.5	1.1	0.2	1.1	1.4	1.6	1.8	1.9	2.0	2.0	2.0	1.6*	1.0
Other countries[2,3]	-0.3	-0.3	-0.1	-0.1	-0.4	-0.1	0.2	0.3	0.4	0.8	1.1	1.1	1.1	1.4*	1.2
Short-term n.i.e.[4]	..	..	..	0.4	0.4	0.2	0.3	0.6	0.6	1.0	1.1	1.4	1.6	1.8	2.8*

[1] For 1933 and missing years after 1945 see Table 12 in "The Canadian Balance of International Payments – A Compendium of Statistics from 1946 to 1965" (DBS Catalogue No. 67-505).
[2] Excludes short-term receivables and payables.
[3] Includes international investment agencies.
[4] Country distribution not available.
[5] Includes $0.9 billion finance company obligations.
[6] Includes $0.2 billion medium-term non-marketable United States Government securities acquired under the Columbia River Treaty arrangements.
[7] Includes export credits by Government and private sectors less reserve against Government inactive assets.
[8] Net external assets of the chartered banks of Canada amounted to $370 million in 1926 and $180 million in 1930.
[9] Excludes Government of Canada holdings of gold and foreign exchange.

Note: As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals refer to tables with further detail.

General note applicable to all statistics of foreign investments in Canada

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the Unites States and the United Kingdom include some investments held for residents of othe countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,[1] 1953-65

At end of	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
	millions of U.S. dollars												
March	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,856.1	1,934.9	1,709.4	2,600.1	2,465.5	2,554.1
June	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2	1,773.9	1,985.2	1,808.7[2]	2,691.6	2,533.9	2,480.1
September	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3	1,813.0	1,924.3	2,444.6[2]	2,568.3	2,624.5	2,614.1
December	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,829.2	2,055.8	2,539.4[2]	2,595.0	2,674.3	2,664.5

[1] Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government accounts and net holdings of the Bank of Canada.
[2] Includes some funds representing special international financial assistance in the form of central bank swaps and/or net IMF drawings.

TABLE VII. Canadian Long-term Investments Abroad,[1] Selected Year Ends, 1926-64[2]

Location and year	Direct investment in branches, subsidiaries and controlled companies					Portfolio investment in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
	millions of dollars										
In all countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671*	511	208	719*	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1956	418	1,106	340	27	1,891	785	221	1,006	2,897	1,587	4,484
1957	425	1,198	410	40	2,073	811	257	1,068	3,141	1,560	4,701
1958	429	1,250	427	43	2,149	868	250	1,118	3,267	1,528	4,795
1959	457	1,343	417	78	2,295	934	249	1,183	3,478	1,495	4,973
1960	456	1,482	459	84	2,481	1,050	265	1,315	3,796	1,462	5,258
1961	504	1,566	446	112	2,628	1,195	276	1,471	4,099	1,424	5,523
1962	475*	1,769	463	114	2,821	1,445	278	1,723	4,544	1,301	5,845
1963	499	1,892	553	181	3,125	1,521	275	1,796	4,921	1,285	6,206
1964	489	2,087	562	218	3,356	1,642	290	1,932	5,288	1,517	6,805
In the United States:											
1939	211	176	21	4	412	380	121	501	913	–	913
1945	212	214	25	4	455	317	92	409	864	–	864
1947	217	272	37	5	531	283	83	366	897	–	897
1949	247	413	58	3	721	345	98	443	1,164	–	1,164
1956	378	804	190	22	1,394	569	84	653	2,047	–	2,047
1957	380	833	206	32	1,451	593	118	711	2,162	–	2,162
1958	379	833	197	31	1,440	659	111	770	2,210	–	2,210
1959	382	862	191	63	1,498	734	111	845	2,343	–	2,343
1960	374	971	223	64	1,632	827	120	947	2,579	–	2,579
1961	420	1,018	240	78	1,756	938	119	1,057	2,813	–	2,813
1962	431	1,092	225	75	1,823	1,124	116	1,240	3,063	–	3,063
1963	439	1,108	305	113	1,965	1,197	110	1,307	3,272	–	3,272
1964	424	1,158	297	146	2,025	1,327	118	1,445	3,470	219[3]	3,689
In the United Kingdom:											
1939	–	53	–	6	59	22	21	43	102	–	102
1945	–	53	–	1	54	26	27	53	107	561	668
1947	–	64	–	–	64	26	26	52	116	1,331	1,447
1949	–	58	–	1	59	21	19	40	99	1,434	1,533
1956	3	135	–	1	139	30	16	46	185	1,179[4]	1,364
1957	3	168	–	1	172	33	15	48	220	1,171[4]	1,391
1958	3	196	–	1	200	27	14	41	241	1,125[4]	1,366
1959	10	224	–	1	235	25	12	37	272	1,108[4]	1,380
1960	14	240	–	3	257	26	16	42	299	1,092[4]	1,391
1961	12	271	–	5	288	45	16	61	349	1,074[4]	1,423
1962	9*	327	–	8	344	51	16	67	411	1,057[4]	1,468
1963	9	367*	–	16	392	53	16	69	461	1,039[4]	1,500
1964	8	432	1	16	457	55	15	70	527	1,059[4]	1,586
In other Commonwealth countries:[5]											
1939	7	30	17	–	54	7	15	22	76	–	76
1945	7	34	28	–	69	7	12	19	88	–	88
1947	8	47	30	–	85	7	11	18	103	–	103
1949	6	51	19	–	76	6	8	14	90	–	90
1956	8	85	98	–	191	7	21	28	219	–	219
1957	8	93	131	3	235	7	21	28	263	–	263
1958	7	102	150	7	266	8	21	29	295	34	329
1959	8	120	153	10	291	8	19	27	318	35	353
1960	10	121	156	12	299	10	18	28	327	35	362
1961	15	95	145	24	279	11	30	41	320	30	350
1962	16	132	162	26	336	12	31	43	379	25	404
1963	17	149	163	48	377	13	29	42	419	29	448
1964	21	186	169	50	426	14	32	46	472	25	497
In other foreign countries:											
1939	31	30	85	–	146	102	51	153	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1956	29	82	52	4	167	179	100	279	446	408	854
1957	34	104	73	4	215	178	103	281	496	389	885
1958	40	119	80	4	243	174	104	278	521	369	890
1959	57	137	73	4	271	167	107	274	545	352	897
1960	58	150	80	5	293	187	111	298	591	335	926
1961	57	182	61	5	305	201	111	312	617	320	937
1962	19*	218	76	5	318	258	115	373	691	219[6]	910
1963	34	268	85	4	391	258	120	378	769	217[6]	986
1964	36	311	95	6	448	246	125	371	819	214[6]	1,033

[1] Figures exclude investments of insurance companies and banks (held mainly against liabilities to non-residents), subscriptions to international investment agencies (Table V), and miscellaneous investments (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

[2] For years 1951-55 see Table VII, "The Canadian Balance of International Payments, 1961 and 1962, and International Investment Position".

[3] Medium-term non-marketable United States Government securities acquired under the Columbia River Treaty arrangements.

[4] Includes deferred interest amounting to $22 million in 1956, to $44 million in 1957 through 1963, and to $64 million in 1964.

[5] Includes investments in Newfoundland prior to 1949.

[6] Includes $7 million United Nations in 1962 and 1963, and $6 million in 1964.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945 - 64

Classification by type of assets and nature of national ownership

Long-term investments in Canada	A. Owned by all non-residents								B. Owned in United States							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal[1]	1,662	2,621	3,112	3,269	3,438	3,737	4,207	4,682	1,450	2,344	2,764	2,903	3,049	3,387	3,869	4,336
Railways	843	484	492	499	512	475	483	509	495	165	159	152	174	143	151	158
Other corporations	561	2,181	2,241	2,309	2,400	2,672	2,860	3,056	414	1,863	1,924	1,980	2,124	2,402	2,585	2,786
Sub-totals	**3,066**	**5,286**	**5,845**	**6,077**	**6,350**	**6,884**	**7,550**	**8,247**	**2,359**	**4,372**	**4,847**	**5,035**	**5,347**	**5,932**	**6,605**	**7,280**
Capital stock of Canadian companies	3,194	9,352	9,916	10,480	10,865	11,631	12,009	12,655	2,088	6,679	7,117	7,472	7,894	8,460	8,907	9,446
Other corporation assets[2]	548	2,967	3,490	3,965	4,429	4,457	4,681	4,373	413	2,512	2,954	3,294	3,654	3,727	3,940	3,469
Income accumulating investment funds	—	—	342	321	264	266	164	123	42	—	342	321	264	266	164	123	42
Miscellaneous investments	284	1,063*	1,285	1,428	1,696	1,753	1,771	2,037	130	536	587	653	840	872	904	1,206
Total investments	**7,092**	**19,010**	**20,857**	**22,214**	**23,606**	**24,889**	**26,134**	**27,354**	**4,990**	**14,441**	**15,826**	**16,718**	**18,001**	**19,155**	**20,479**	**21,443**
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	46	32	28	14	13	4	4	3	38	28	24	10	10	1	1	1
Other corporations	281	1,135	1,182	1,211	1,346	1,565	1,608	1,567	254	1,058	1,106	1,116	1,255	1,486	1,523	1,470
Sub-totals	**327**	**1,167**	**1,210**	**1,225**	**1,359**	**1,569**	**1,612**	**1,570**	**292**	**1,086**	**1,130**	**1,126**	**1,265**	**1,487**	**1,524**	**1,471**
Capital stock of Canadian companies	1,860	6,826	7,324	7,839	8,190	8,983	9,529	10,232	1,613	5,515	5,922	6,263*	6,579	7,093	7,612	8,177
Other corporation assets[2]	526	2,887	3,372	3,808	4,188	4,108	4,293	4,087*	399	2,444	2,860	3,160*	3,440	3,426	3,618	3,253*
Total direct investments	**2,713**	**10,880**	**11,906**	**12,872**	**13,737**	**14,660**	**15,434**	**15,889***	**2,304**	**9,045**	**9,912**	**10,549**	**11,284**	**12,006**	**12,754**	**12,901***
II. Government and municipal bonds[1]	**1,662**	**2,621**	**3,112**	**3,269**	**3,438**	**3,737**	**4,207**	**4,682**	**1,450**	**2,344**	**2,764**	**2,903**	**3,049**	**3,387**	**3,869**	**4,336**
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	795	451	462	483	497	470	478	505	457	137	134	141	163	141	149	156
Controlled in other countries	2	1	2	2	2	1	1	1	—	—	1	1	1	1	1	1
Other corporations:																
Controlled in Canada	220	756	773	809	791	836	979	1,141	158	682	696	749	771	815	954	1,117
Controlled in other countries	60	290	286	289	263	271	273	348	2	123	122	115	98	101	108	199
Sub-totals	**1,077**	**1,498**	**1,523**	**1,583**	**1,553**	**1,578**	**1,731**	**1,995**	**617**	**942**	**953**	**1,006**	**1,033**	**1,058**	**1,212**	**1,473**
Capital stock of Canadian companies:																
Companies controlled in Canada	1,249	2,274	2,322	2,340	2,395	2,351	2,189	2,131	462	1,081	1,100	1,104	1,215	1,259	1,198	1,165
Companies controlled in other countries	85	252	270	301	280	297	291	292	13	83	95	105	100	108	97	104
Other corporation assets:[2]																
Companies controlled in Canada	16	59	93	129	197	297	327	195	13	53	79	117	187	263	284	135
Companies controlled in other countries	6	21	25	28	44	52	61	91	1	15	15	17	27	38	38	81
Income accumulating investment funds	—	342	321	264	266	164	123	42	—	342	321	264	266	164	123	42
Total other portfolio investments	**2,433**	**4,446**	**4,554**	**4,645**	**4,735**	**4,739**	**4,722**	**4,746**	**1,106**	**2,516**	**2,563**	**2,613**	**2,828**	**2,890**	**2,952**	**3,000**
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	284	1,063*	1,285	1,428	1,696	1,753	1,771	2,037	130	536	587	653	840	872	904	1,206
SUMMARY																
I. Direct investments	2,713	10,880	11,906	12,872	13,737	14,660	15,434	15,889*	2,304	9,045	9,912	10,549	11,284	12,006	12,754	12,901
II. Government and municipal bonds	1,662	2,621	3,112	3,269	3,438	3,737	4,207	4,682	1,450	2,344	2,764	2,903	3,049	3,387	3,869	4,336
III. Other portfolio investments	2,433	4,446	4,554	4,645	4,735	4,739	4,722	4,746	1,106	2,516	2,563	2,613	2,828	2,890	2,952	3,000
IV. Miscellaneous investments	284	1,063*	1,285	1,428	1,696	1,753	1,771	2,037	130	536	587	653	840	872	904	1,206
Total investments	**7,092**	**19,010**	**20,857**	**22,214**	**23,606**	**24,889**	**26,134**	**27,354**	**4,990**	**14,441**	**15,826**	**16,718**	**18,001**	**19,155**	**20,479**	**21,443**

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1945 - 64 – Concluded

Classification by type of assets and nature of national ownership

Long-term investments in Canada	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal[1]	157	145	141	127	147	137	121	111	55	132	207	239	242	213	217	235
Railways	316	292	291	290	288	264	259	259	32	27	42	57	50	68	73	92
Other corporations	116	207	206	214	185	178	178	172	31	111	111	115	91	92	97	98
Sub-totals	**589**	**644**	**638**	**631**	**620**	**579**	**558**	**542**	**118**	**270**	**360**	**411**	**383**	**373**	**387**	**425**
Capital stock of Canadian companies	973	1,934	1,983	2,078	2,023	2,083	2,040	2,085	133	739	816	930	948	1,088	1,062	1,124
Other corporation assets[2]	103	312	378	439	515	509	512	627	32	143	158	232	260	221	229	277
Miscellaneous investments	85	198	200	211	223	228	221	209	69	329*	498	564	633	653	646	622
Total investments	**1,750**	**3,088**	**3,199**	**3,359**	**3,381**	**3,399**	**3,331**	**3,463**	**352**	**1,481**	**1,832**	**2,137**	**2,224**	**2,335**	**2,324**	**2,448**
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	8	4	4	4	3	3	3	2	–	–	–	–	–	–	–	–
Other corporations	13	45	39	46	38	24	25	35	14	32	37	49	53	55	60	62
Sub-totals	**21**	**49**	**43**	**50**	**41**	**27**	**28**	**37**	**14**	**32**	**37**	**49**	**53**	**55**	**60**	**62**
Capital stock of Canadian companies	226	938	972	1,057*	1,072	1,209	1,244	1,331	21	373	430	519*	539	681	673	724
Other corporation assets[2]	101	309	369	428*	500	470	465	576	26	134	143	220*	248	212	210	258
Total direct investments	**348**	**1,296**	**1,384**	**1,535**	**1,613**	**1,706**	**1,737**	**1,944**	**61**	**539**	**610**	**788**	**840**	**948**	**943**	**1,044**
II. Government and municipal bonds[1]	**157**	**145**	**141**	**127**	**147**	**137**	**121**	**111**	**55**	**132**	**207**	**239**	**242**	**213**	**217**	**235**
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	306	287	286	285	284	261	256	257	32	27	42	57	50	68	73	92
Controlled in other countries	2	1	1	1	1	–	–	–	–	–	–	–	–	–	–	–
Other corporations:																
Controlled in Canada	46	23	28	19	3	4	5	5	16	51	49	41	17	17	20	19
Controlled in other countries	57	139	139	149	144	150	148	132	1	28	25	25	21	20	17	1'
Sub-totals	**411**	**450**	**454**	**454**	**432**	**415**	**409**	**394**	**49**	**106**	**116**	**123**	**88**	**105**	**110**	**128**
Capital stock of Canadian companies:																
Companies controlled in Canada	691	923	935	924	860	787	708	674	96	270	287	312	320	305	283	292
Companies controlled in other countries	56	73	76	97	91	87	88	80	16	96	99	99	89	102	106	108
Other corporation assets:[2]																
Companies controlled in Canada	2	1	4	5	6	30	36	48	1	5	10	7	4	4	7	12
Companies controlled in other countries	–	2	5	6	9	9	11	3	5	4	5	5	8	5	12	7
Total other portfolio investments	**1,160**	**1,449**	**1,474**	**1,486**	**1,398**	**1,328**	**1,252**	**1,199**	**167**	**481**	**517**	**546**	**509**	**521**	**518**	**547**
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	85	198	200	211	223	228	221	209	69	329*	498	564	633	653	646	622
SUMMARY																
I. Direct investments	348	1,296	1,384	1,535	1,613	1,706	1,737	1,944	61	539	610	788	840	948	943	1,044
II. Government and municipal bonds	157	145	141	127	147	137	121	111	55	132	207	239	242	213	217	235
III. Other portfolio investments	1,160	1,449	1,474	1,486	1,398	1,328	1,252	1,199	167	481	517	546	509	521	518	547
IV. Miscellaneous investments	85	198	200	211	223	228	221	209	69	329*	498	564	633	653	646	622
Total investments	**1,750**	**3,088**	**3,199**	**3,359**	**3,381**	**3,399**	**3,331**	**3,463**	**352**	**1,481**	**1,832**	**2,137**	**2,224**	**2,335**	**2,324**	**2,448**

[1] For division into Government of Canada, provincial and municipal see Table IX.
[2] Includes net assets of unincorporated branches and other long-term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1945-64

Classification by type of investment

Long-term investments in Canada by type of investment	A. Owned by all non-residents								B. Owned in United States							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
Government securities:																
Dominion	726	564	612	611	657	788	899	897	682	396	383	382	416	576	695	690
Provincial	624	1,276	1,585	1,632	1,743	1,862	2,217	2,564	574	1,207	1,509	1,544	1,641	1,768	2,127	2,469
Municipal	312	781	915	1,026	1,038	1,087	1,091	1,221	194	741	872	977	992	1,043	1,047	1,177
Sub-totals	**1,662**	**2,621**	**3,112**	**3,269**	**3,438**	**3,737**	**4,207**	**4,682**	**1,450**	**2,344**	**2,764**	**2,903**	**3,049**	**3,387**	**3,869**	**4,336**
Manufacturing:																
Vegetable products	268	608	664	720	749	787	824	828	199	469	509	551	586	620	654	653
Animal products	61	114	128	132	145	149	162	169	47	102	115	118	132	135	147	153
Textiles	83	135	140	141	148	142	145	148	41	73	79	84	93	92	97	99
Wood and paper products	455	1,200	1,211	1,315	1,410	1,464	1,545	1,703	383	1,021	1,026	1,116	1,207	1,242	1,323	1,422
Iron and products	319	1,312	1,451	1,580	1,647	1,742	1,895	1,952	297	1,038	1,172	1,286	1,339	1,425	1,577	1,643
Non-ferrous metals	274	1,103	1,153	1,155	1,185	1,211	1,212	1,191	209	879	928	928	973	992	996	969
Non-metallic minerals	57	207	227	276	286	310	321	314	48	129	142	151	158	162	171	179
Chemicals and allied products	169	617	660	698	768	810	848	1,094	124	444	473	492	553	584	623	851
Miscellaneous manufactures	37	85	92	98	108	116	122	133	34	79	86	92	101	109	115	127
Sub-totals (excluding petroleum refining)	**1,723**	**5,381**	**5,726**	**6,115**	**6,446**	**6,731**	**7,074**	**7,532**	**1,382**	**4,234**	**4,530**	**4,818**	**5,142**	**5,361**	**5,703**	**6,096**
Petroleum and natural gas	160	3,187	3,455	3,727	4,029	4,384	4,703	4,786	152	2,866	3,108	3,184*	3,444	3,662	3,945	3,964
Other mining and smelting	356	1,657	1,783	1,977	2,094	2,297	2,347	2,473	277	1,386	1,513	1,701	1,821	1,998	2,054	2,115
Public utilities:																
Railways	1,599	1,413	1,405	1,406	1,366	1,270	1,231	1,236	720	489	472	479	506	472	476	491
Other (excluding pipelines and public enterprises)	493	712	739	743	656	691	590	605	374	523	544	551	513	557	505	553
Sub-totals	**2,092**	**2,125**	**2,144**	**2,149**	**2,022**	**1,961**	**1,821**	**1,841**	**1,094**	**1,012**	**1,016**	**1,030**	**1,019**	**1,029**	**981**	**1,044**
Merchandising	220	784	878	872	917	972	1,003	1,092	158	549	612	608	629	674	698	739
Financial	525	1,938	2,190	2,380	2,616	2,688	2,847	2,503*	285	1,314	1,471	1,587	1,775	1,872	2,033	1,617*
Other enterprises	70	254	284	297	348	366	361	408	62	200	225	234	282	300	292	326
Miscellaneous investments	284	1,063*	1,285	1,428	1,696	1,753	1,771	2,037	130	536	587	653	840	872	904	1,206
Total investments	**7,092**	**19,010**	**20,857**	**22,214**	**23,606**	**24,889**	**26,134**	**27,354**	**4,990**	**14,441**	**15,826**	**16,718**	**18,001**	**19,155**	**20,479**	**21,443**

Long-term investments in Canada by type of investment	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
Government securities:																
Dominion	–	65	60	48	50	48	34	21	44	103	169	181	191	164	170	186
Provincial	45	47	48	47	67	60	58	61	5	22	28	41	35	34	32	34
Municipal	112	33	33	32	30	29	29	29	6	7	10	17	16	15	15	15
Sub-totals	**157**	**145**	**141**	**127**	**147**	**137**	**121**	**111**	**55**	**132**	**207**	**239**	**242**	**213**	**217**	**235**
Manufacturing:																
Vegetable products	66	124	131	137	136	136	153	158	3	15	24	32	27	31	17	17
Animal products	6	6	7	8	7	7	8	6	8	6	6	6	6	7	7	10
Textiles	38	60	59	55	53	48	46	47	4	2	2	2	2	2	2	2
Wood and paper products	64	155	159	167	174	188	182	244	8	24	26	32	29	34	40	37
Iron and products	12	202	194	201	209	209	206	203	10	72	85	93	99	108	112	106
Non-ferrous metals	64	195	192	188	177	183	184	182	1	29	33	39	35	36	32	40
Non-metallic minerals	8	40	45	55	54	66	67	49	1	38	40	70	74	82	83	86
Chemicals and allied products	36	146	153	169	176	183	180	183	9	27	34	37	39	43	45	60
Miscellaneous manufactures	2	5	5	5	6	6	6	5	1	1	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	**296**	**933**	**945**	**985**	**992**	**1,026**	**1,032**	**1,077**	**45**	**214**	**251**	**312**	**312**	**344**	**339**	**359**
Petroleum and natural gas	7	134	162	270*	296	355	380	436	1	187	185	273*	289	367	378	386
Other mining and smelting	60	171	160	152	148	184	161	211	19	100	110	124	125	115	132	147
Public utilities:																
Railways	806	794	783	755	699	618	584	560	73	130	150	172	161	180	171	185
Other (excluding pipelines and public enterprises)	90	115	125	125	76	78	53	25	29	74	70	67	67	56	32	27
Sub-totals	**896**	**909**	**908**	**880**	**775**	**696**	**637**	**585**	**102**	**204**	**220**	**239**	**228**	**236**	**203**	**211**
Merchandising	57	197	225	214	238	241	250	273	5	38	41	50	50	57	55	80
Financial	186	360	413	469	512	487	481	501	54	264	306	324	329	329	333	384
Other enterprises	6	41	45	51	50	45	48	60	2	13	14	12	16	21	21	22
Miscellaneous investments	85	198	200	211	223	228	221	209	69	329*	498	564	633	653	646	624
Total investments	**1,750**	**3,088**	**3,199**	**3,359**	**3,381**	**3,399**	**3,331**	**3,463**	**352**	**1,481**	**1,832**	**2,137**	**2,224**	**2,335**	**2,324**	**2,441**

TABLE X. Foreign Direct Investment[1] in Canada, Selected Year Ends, 1945 - 64

Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents								B. Owned in United States							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
Manufacturing:																
Vegetable products	200	521	578	637	648	691	738	738	140	403	442	488	504	539	583	576
Animal products	47	105	119	122	135	140	153	160	44	95	108	111	125	129	141	148
Textiles	56	115	117	118	122	124	127	129	28	63	68	72	78	82	87	89
Wood and paper products	348	945	951	1,033	1,064	1,098	1,184	1,289	316	819	822	886	939	950	1,029	1,078
Iron and products	277	1,205	1,345	1,441	1,504	1,584	1,730	1,776	272	961	1,095	1,198	1,248	1,326	1,479	1,538
Non-ferrous metals	211	926	977	983	1,020	1,022	1,034	1,013	203	845	892	890	931	939	949	923
Non-metallic minerals	43	174	198	240	249	265	274	267	39	110	127	134	140	136	145	152
Chemicals and allied products	144	595	637	671	741	780	822	1,043	118	434	460	478	538	565	605	810
Miscellaneous manufactures	33	82	89	97	106	115	120	130	31	76	83	91	100	109	114	125
Sub-totals (excluding petroleum refining)	**1,359**	**4,668**	**5,011**	**5,342**	**5,589**	**5,819**	**6,182**	**6,545**	**1,191**	**3,806**	**4,097**	**4,348**	**4,603**	**4,775**	**5,132**	**5,439**
Petroleum and natural gas	141	2,816	3,082	3,313	3,534	3,901	4,119	4,201	141	2,598	2,836	2,885*	3,060	3,277	3,464	3,472
Other mining and smelting	237	1,116	1,223	1,439	1,549	1,686	1,758	1,915	215	1,030	1,146	1,348	1,451	1,595	1,666	1,774
Utilities (excluding pipelines)	375	287	282	285	289	294	299	301	358	216	217	224	228	238	250	276
Merchandising	202	684	761	757	804	859	883	967	147	458	505	501	520	565	586	622
Financial	339	1,073	1,289	1,464	1,660	1,769	1,867	1,596*	198	750	904	1,028	1,171	1,287	1,394	1,031*
Other enterprises	60	236	258	272	312	332	326	364	54	187	207	215	251	269	262	287
Totals	**2,713**	**10,880**	**11,906**	**12,872**	**13,737**	**14,660**	**15,434**	**15,889***	**2,304**	**9,045**	**9,912**	**10,549**	**11,284**	**12,006**	**12,754**	**12,901***

	C. Owned in United Kingdom								D. Owned in all other countries							
	1945	1958	1959	1960	1961	1962	1963	1964	1945	1958	1959	1960	1961	1962	1963	1964
	millions of dollars															
Manufacturing:																
Vegetable products	60	108	117	124	123	129	146	152	–	10	19	25	21	23	9	10
Animal products	3	5	6	6	6	6	7	6	–	5	5	5	4	5	5	6
Textiles	26	51	49	45	43	41	39	39	2	1	–	1	1	1	1	1
Wood and paper products	30	125	127	138	115	133	133	192	2	1	2	9	10	15	22	19
Iron and products	4	186	180	185	191	190	190	185	1	58	70	58	65	68	61	53
Non-ferrous metals	8	63	64	65	65	60	62	59	–	18	21	28	24	23	23	31
Non-metallic minerals	4	30	34	38	37	49	49	31	–	34	37	68	72	80	80	84
Chemicals and allied products	19	143	150	162	170	177	176	177	7	18	27	31	33	38	41	56
Miscellaneous manufactures	2	5	5	5	5	5	5	4	–	1	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	**156**	**716**	**732**	**768**	**755**	**790**	**807**	**845**	**12**	**146**	**182**	**226**	**231**	**254**	**243**	**261**
Petroleum and natural gas	–	90	116	208*	234	298	323	390	–	128	130	220*	240	326	332	339
Other mining and smelting	22	77	68	66	62	67	63	104	–	9	9	25*	36	24	29	37
Utilities (excluding pipelines)	16	41	40	40	38	38	33	14	1	30	25	21	23	18	16	11
Merchandising	51	191	219	208	231	236	244	268	4	35	37	48	53	58	53	77
Financial	98	142	168	198	246	234	222	265	43	181	217	238	243	248	251	300
Other enterprises	5	39	41	47	47	43	45	58	1	10	10	10	14	20	19	19
Totals	**348**	**1,296**	**1,384**	**1,535**	**1,613**	**1,706**	**1,737**	**1,944**	**61**	**539**	**610**	**788**	**840**	**948**	**943**	**1,044**

[1] Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

TABLE XI. Number of Canadian Concerns Controlled Abroad, Year Ends, 1962 - 64[1]

Classification by type of business and country of ownership

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controlled outside Canada
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
1962										
Manufacturing:										
Vegetable products	165	6	171	64	–	64	14	–	14	249
Animal products	62	–	62	8	–	8	6	–	6	76
Textiles	101	1	102	28	1	29	4	–	4	135
Wood and paper products	251	12	263	55	2	57	17	–	17	337
Iron and products	551	18	569	111	1	112	37	1	38	719
Non-ferrous metals	327	10	337	46	–	46	25	1	26	409
Non-metallic minerals	91	4	95	48	–	48	25	–	25	168
Chemicals and allied products	340	27	367	61	1	62	20	1	21	450
Miscellaneous manufactures	127	5	132	13	–	13	5	–	5	150
Sub-totals (excluding petroleum refining)	**2,015**	**83**	**2,098**	**434**	**5**	**439**	**153**	**3**	**156**	**2,693**
Petroleum and natural gas	377	93	470	32	–	32	29	4	33	535
Other mining and smelting	283	35	318	57	–	57	22	–	22	397
Utilities:										
Railways	8	5	13	6	–	6	1	–	1	20
Other utilities (excluding pipelines)	105	23	128	34	4	38	27	8	35	201
Merchandising	986	135	1,121	394	40	434	154	10	164	1,719
Financial:										
Financial institutions except insurance	102	13	115	43	–	43	22	3	25	183
Insurance	26	164	190	27	80	107	18	42	60	357
Real estate	156	17	173	67	2	69	33	2	35	277
Other holding companies[2]	39	5	44	41	1	42	47	1	48	134
Other enterprises	602	82	684	146	9	155	62	5	67	906
Totals, all companies[3]	**4,699**	**655**	**5,354**	**1,281**	**141**	**1,422**	**568**	**78**	**646**	**7,422**
1963										
Manufacturing:										
Vegetable products	172	6	178	56	–	56	9	–	9	243
Animal products	63	1	64	6	1	7	6	–	6	77
Textiles	102	1	103	27	1	28	6	–	6	137
Wood and paper products	256	10	266	59	2	61	17	–	17	344
Iron and products	592	23	615	116	–	116	39	1	40	771
Non-ferrous metals	329	6	335	45	–	45	27	–	27	407
Non-metallic minerals	69	4	73	46	–	46	25	–	25	144
Chemicals and allied products	351	25	376	63	–	63	23	1	24	463
Miscellaneous manufactures	139	4	143	12	–	12	5	–	5	160
Sub-totals (excluding petroleum refining)	**2,073**	**80**	**2,153**	**430**	**4**	**434**	**157**	**2**	**159**	**2,746**
Petroleum and natural gas	379	99	478	30	–	30	32	4	36	544
Other mining and smelting	257	34	291	58	–	58	21	1	22	371

See footnotes at end of table.

TABLE XI. Number of Canadian Concerns Controlled Abroad, Year Ends, 1962-64[1] – Concluded

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controlled outside Canada
	Subsidiaries or controlled companies	Un-incorporated branches	Total number	Subsidiaries or controlled companies	Un-incorporated branches	Total number	Subsidiaries or controlled companies	Un-incorporated branches	Total number	Total number
1963 – Concluded										
Utilities:										
Railways	8	5	13	6	–	6	–	–	–	19
Other utilities (excluding pipelines)	96	23	119	34	4	38	23	8	31	188
Merchandising	983	125	1,108	393	39	432	152	11	163	1,703
Financial:										
Financial institutions except insurance	116	16	132	46	–	46	20	3	23	201
Insurance	31	168	199	28	79	107	17	42	59	365
Real estate	167	20	187	70	1	71	38	4	42	300
Other holding companies[2]	33	5	38	42	–	42	48	1	49	129
Other enterprises	611	75	686	141	8	149	65	1	66	901
Totals, all companies[4]	**4,754**	**650**	**5,404**	**1,278**	**135**	**1,413**	**573**	**77**	**650**	**7,467**
1964										
Manufacturing:										
Vegetable products	169	6	175	68	1	69	10	–	10	254
Animal products	61	1	62	8	3	11	8	–	8	81
Textiles	100	1	101	25	–	25	4	–	4	130
Wood and paper products	247	10	257	75	–	75	14	–	14	346
Iron and products	616	21	637	106	–	106	45	1	46	789
Non-ferrous metals	327	7	334	46	–	46	25	–	25	405
Non-metallic minerals	73	4	77	25	–	25	27	–	27	129
Chemicals and allied products	362	22	384	54	–	54	31	1	32	470
Miscellaneous manufactures	146	3	149	8	–	8	3	–	3	160
Sub-totals (excluding petroleum refining)	**2,101**	**75**	**2,176**	**415**	**4**	**419**	**167**	**2**	**169**	**2,764**
Petroleum and natural gas	382	96	478	37	–	37	74	4	78	593
Other mining and smelting	281	33	314	52	–	52	24	1	25	391
Utilities:										
Railways	8	5	13	6	–	6	–	–	–	19
Other utilities (excluding pipelines)	89	23	112	27	3	30	21	8	29	171
Merchandising	1,033	127	1,160	365	37	402	163	9	172	1,734
Financial:										
Financial institutions except insurance	115	19	134	51	–	51	20	2	22	207
Insurance	33	163	196	28	76	104	19	40	59	359
Real estate	194	18	212	78	2	80	100	4	104	396
Other holding companies[2]	56	2	58	44	–	44	83	1	84	186
Other enterprises	665	72	737	168	7	175	75	1	76	988
Totals, all companies[5]	**4,957**	**633**	**5,590**	**1,271**	**129**	**1,400**	**746**	**72**	**818**	**7,808**

[1] The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tables.
[2] Excludes non-resident-owned investment corporations included with portfolio investments.
[3] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,132; in the U.K. 515; in other countries 133.
[4] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,179; in the U.K. 532; in other countries 128.
[5] Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,195; in the U.K. 523; in other countries 188.

TABLE XII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900 - 64

	1900[1]	1914[2]	1918[3]	1926	1930	1933	1939	1945	1946	1947	1948	1949	1950	1951
	Millions of dollars													
Investment by residents of the United States:														
Direct	..	..	..	1,403	1,993	1,933	1,881	2,304	2,428	2,548	2,807	3,095	3,426	3,896
Portfolio[3]	..	..	..	1,793	2,667	2,559	2,270	2,686	2,730	2,653	2,760	2,811	3,123	3,363
Totals	**168**	**881**	**1,630**	**3,196**	**4,660**	**4,492**	**4,151**	**4,990**	**5,158**	**5,201**	**5,567**	**5,906**	**6,549**	**7,259**
Investment by residents of the United Kingdom:														
Direct	..	..	..	336	392	376	366	348	335	372	400	428	468	497
Portfolio[3]	..	..	..	2,301	2,374	2,307	2,110	1,402	1,335	1,275	1,210	1,289	1,282	1,281
Totals	**1,050**	**2,778**	**2,729**	**2,637**	**2,766**	**2,683**	**2,476**	**1,750**	**1,670**	**1,647**	**1,610**	**1,717**	**1,750**	**1,778**
Investment by residents of other countries:														
Direct	..	..	..	43	42	43	49	61	63	66	63	63	81	127
Portfolio[3]	..	..	..	127	146	147	237	291	290	277	269	277	284	313
Totals	**14**	**178**	**177**	**170**	**188**	**190**	**286**	**352**	**353**	**343**	**332**	**340**	**365**	**440**
Investment by all non-residents:														
Direct	..	..	..	1,782	2,427	2,352	2,296	2,713	2,826	2,986	3,270	3,586	3,975	4,520
Portfolio[3]	..	..	..	4,221	5,187	5,013	4,617	4,379	4,355	4,205	4,239	4,377	4,689	4,957
Totals	**1,232**	**3,837**	**4,536**	**6,003**	**7,614**	**7,365**	**6,913**	**7,092**	**7,181**	**7,191**	**7,509**	**7,963**	**8,664**	**9,477**
	Percentages													
Percentages, by area, of total non-resident investment:														
United States	14	23	36	53	61	61	60	70	72	72	74	74	76	76
United Kingdom	85	72	60	44	36	36	36	25	23	23	22	22	20	19
Other countries	1	5	4	3	3	3	4	5	5	5	4	4	4	5

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
	Millions of dollars												
Investment by residents of the United States:													
Direct	4,530	5,206	5,787	6,513	7,392	8,472	9,045	9,912	10,549	11,284	12,006	12,754	12,901*
Portfolio[3]	3,467	3,664	3,877	3,762	4,397	4,792	5,396	5,914	6,169	6,717	7,149	7,725	8,542
Totals	**7,997**	**8,870**	**9,664**	**10,275**	**11,789**	**13,264**	**14,441**	**15,826**	**16,718**	**18,001**	**19,155**	**20,479**	**21,443**
Investment by residents of the United Kingdom:													
Direct	544	612	759	890	1,048	1,163	1,296	1,384	1,535	1,613	1,706	1,737	1,944
Portfolio[3]	1,342	1,396	1,418	1,466	1,620	1,754	1,792	1,815	1,824	1,768	1,693	1,594	1,519
Totals	**1,886**	**2,008**	**2,177**	**2,356**	**2,668**	**2,917**	**3,088**	**3,199**	**3,359**	**3,381**	**3,399**	**3,331**	**3,463**
Investment by residents of other countries:													
Direct	144	185	218	325	428	494	539	610	788	840	948	943	1,044
Portfolio[3]	358	398	485	517	684	789	942	1,222	1,349	1,384	1,387	1,381	1,404
Totals	**502**	**583**	**703**	**842**	**1,112**	**1,283**	**1,481**	**1,832**	**2,137**	**2,224**	**2,335**	**2,324**	**2,448**
Investment by all non-residents:													
Direct	5,218	6,003	6,764	7,728	8,868	10,129	10,880	11,906	12,872	13,737	14,660	15,434	15,889
Portfolio[3]	5,167	5,458	5,780	5,745	6,701	7,335	8,130	8,951	9,342	9,869	10,229	10,700	11,465
Totals	**10,385**	**11,461**	**12,544**	**13,473**	**15,569**	**17,464**	**19,010**	**20,857**	**22,214**	**23,606**	**24,889**	**26,134**	**27,354**
	Percentages												
Percentages, by area, of total non-resident investment:													
United States	77	77	77	76	76	76	76	76	75	76	77	78	78
United Kingdom	18	18	17	18	17	17	16	15	15	14	14	13	13
Other countries	5	5	6	6	7	7	8	9	10	10	9	9	9

[1] Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).
[2] Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936).
[3] Including miscellaneous investments.

TABLE XIII. Non-resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926 - 63[1]

Industry classification	1926	1930	1939	1948	1954[2]	1954	1955	1956	1957	1958	1959	1960	1961	1962[r]	1963
Percentage of total owned by all non-residents:															
Manufacturing	38	40	42	42	48	47	47	48	50	51	51	52	54	54	54
Petroleum and natural gas	[2]	[2]	[2]	[2]	[2]	60	63	65	63	62	62	62	63	63	64
Mining and smelting	37	44	40	39	57	53	53	54	56[3]	56	58	60	62	63	62
Railways	55	56	57	45	35	35	33	33	30	29	27	26	25	23	23
Other utilities	32	36	27	20	17	14	13	14	14	14	14	14	13	13	13
Totals of above industries and merchandising[4]	**37**	**39**	**38**	**32**	**32**	**32**	**32**	**33**	**34**	**34**	**34**	**34**	**35**	**35**	**35**
Percentage of total owned by United States residents:															
Manufacturing	30	33	34	35	39	37	37	38	39	40	41	41	43	43	44
Petroleum and natural gas	[2]	[2]	[2]	[2]	[2]	57	58	59	57	56	55	53*	54	53	54
Mining and smelting	28	34	31	32	52	47	46	46	46[3]	47	49	52	54	55	54
Railways	15	21	18	21	15	15	13	12	11	10	9	9	9	9	9
Other utilities	23	30	20	16	15	12	10	11	11	12	12	12	11	11	12
Totals of above industries and merchandising[4]	**19**	**24**	**22**	**23**	**25**	**25**	**25**	**26**	**26**	**26**	**26**	**27**	**27**	**28**	**28**

[1] For years 1951 to 1953, see Table XII, "The Canadian Balance of International Payments, 1957 and International Investment Position".
[2] Petroleum and natural gas industry not available separately before 1954. For treatment see page 33, "The Canadian Balance of International Payments, 1957 and International Investment Position".
[3] Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pacific Railway Company has been included under mining and smelting.
[4] Corporations engaged in the construction industry are included in the postwar period.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XIV. Non-resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926 - 63[1]

Industry classification	1926	1930	1939	1948	1954[2]	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Percentage of total control by all non-residents:															
Manufacturing	35	36	38	43	54	51	52	52	56	57	57	59	59	60	60
Petroleum and natural gas	[2]	[2]	[2]	[2]	[2]	69	79	80	76	73	73	73	72	74	74
Mining and smelting	38	47	42	40	57	51	57	58	61	60	61	61	59	58	59
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	11	8	8	6	5	5	5	5	5	4	4
Totals of above industries and merchandising[3]	**17**	**20**	**21**	**25**	**28**	**28**	**30**	**31**	**32**	**32**	**32**	**33**	**33**	**34**	**34**
Percentage of total control by United States residents:															
Manufacturing	30	31	32	39	45	42	42	41	43	44	44	44	45	45	46
Petroleum and natural gas	[2]	[2]	[2]	[2]	[2]	67	73	73	70	67	67	64*	63	63	62
Mining and smelting	32	42	38	37	54	49	55	52	52	51	53	53	52	52	52
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	11	7	6	4	4	4	4	4	4	4	4
Totals of above industries and merchandising[3]	**15**	**18**	**19**	**22**	**24**	**24**	**26**	**26**	**27**	**26**	**26**	**26**	**26**	**27**	**27**

[1] For years 1951 to 1953, see Table XIV, "The Canadian Balance of International Payments, 1957 and International Investment Position".
[2] Petroleum and natural gas industry not available separately before 1954. For treatment see page 33, "The Canadian Balance of International Payments, 1957 and International Investment Position".
[3] Corporations engaged in the construction industry are included in the postwar period.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XV. Ownership and Control of Selected Canadian Industries, Year Ends, 1961-63[1]

Enterprise classification	Estimated total investment	Investment owned in				Total Canadian and external capital in enterprises controlled in			Percentage of capital employed owned in				Percentage of capital employed controlled in		
		Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada
	millions of dollars								per cent						
End of 1961[r]															
Manufacturing:[2]															
Beverages	522	383	120	16	3	447	69	6	74	23	3	—	86	13	1
Rubber	211	26	170	15	—	2	192	17	12	81	7	—	1	91	8
Textiles	614	466	93	53	2	476	85	53	76	15	9	—	77	14	9
Pulp and paper	2,223	1,098	959	148	18	1,196	773	254	49	43	7	1	54	35	11
Agricultural machinery[3]	186	102	79	1	4	92	90	4	55	42	1	2	50	48	2
Automobiles and parts	467	45	421	1	—	13	451	3	10	90	—	—	3	97	—
Transportation equipment n.o.p.	249	107	58	84	—	74	64	111	43	23	34	—	30	26	44
Primary iron and steel	873	614	165	65	29	651	114	108	70	19	8	3	75	13	12
Electrical apparatus	595	159	380	35	21	128	394	73	27	64	6	3	22	66	12
Chemicals	1,226	459	553	176	38	297	638	291	38	45	14	3	24	52	24
Other	5,502	2,415	2,426	448	213	1,833	2,801	868	44	44	8	4	34	50	16
Sub-totals	**12,668**	**5,874**	**5,424**	**1,042**	**328**	**5,209**	**5,671**	**1,788**	**46**	**43**	**8**	**3**	**41**	**45**	**14**
Petroleum and natural gas	6,428	2,399	3,444	296	289	1,768	4,038	622	37	54	5	4	28	63	9
Mining:															
Smelting and refining of non-ferrous native ores	968	432	421	62	53	434	534	—	45	44	6	5	45	55	—
Other mining	2,428	870	1,400	86	72	968	1,243	217	36	58	3	3	40	51	9
Sub-totals	**3,396**	**1,302**	**1,821**	**148**	**125**	**1,402**	**1,777**	**217**	**38**	**54**	**4**	**4**	**41**	**52**	**7**
Totals of above industries	**22,492**	**9,575**	**10,689**	**1,486**	**742**	**8,379**	**11,486**	**2,627**	**43**	**47**	**7**	**3**	**37**	**51**	**12**
End of 1962															
Manufacturing:[2]															
Beverages	550	415	121	11	3	472	72	6	75	22	2	1	86	13	1
Rubber	210	27	169	14	—	4	190	16	13	80	7	—	2	90	8
Textiles	639	497	92	48	2	501	90	48	78	14	8	—	78	14	8
Pulp and paper	2,282	1,103	995	160	24	1,221	784	277	48	44	7	1	54	34	12
Agricultural machinery[3]	187	93	90	1	3	88	96	3	50	48	..	2	47	51	2
Automobiles and parts	495	51	443	1	—	23	470	2	10	90	—	—	5	95	—
Transportation equipment n.o.p.	243	94	58	91	—	58	67	118	39	24	37	—	24	28	48
Iron and steel mills	938	691	151	59	37	738	92	108	74	16	6	4	79	10	11
Electrical apparatus	669	200	416	32	21	157	439	73	30	62	5	3	23	66	11
Chemicals	1,351	541	584	183	43	337	697	317	40	43	14	3	25	52	23
Other	5,525	2,280	2,542	471	232	1,691	2,903	931	41	46	9	4	31	52	17
Sub-totals	**13,089**	**5,992**	**5,661**	**1,071**	**365**	**5,290**	**5,900**	**1,899**	**46**	**43**	**8**	**3**	**40**	**45**	**15**
Petroleum and natural gas	6,922	2,538	3,662	355	367	1,796	4,334	792	37	53	5	5	26	63	11
Mining:															
Smelting and refining of non-ferrous native ores	1,042	465	436	89	52	506	536	—	45	42	8	5	49	51	—
Other mining	2,595	875	1,562	95	63	1,021	1,353	221	34	60	4	2	39	52	9
Sub-totals	**3,637**	**1,340**	**1,998**	**184**	**115**	**1,527**	**1,889**	**221**	**37**	**55**	**5**	**3**	**42**	**52**	**6**
Totals of above industries	**23,648**	**9,870**	**11,321**	**1,610**	**847**	**8,613**	**12,123**	**2,912**	**42**	**48**	**7**	**3**	**37**	**51**	**12**
End of 1963															
Manufacturing:[2]															
Beverages	589	436	137	12	4	488	101[4]	—	74	23	2	1	83	17[4]	—
Rubber	216	28	175	13	—	6	195	15	13	81	6	—	3	90	7
Textiles	713	568	97	46	2	568	96	49	80	14	6	—	80	13	7
Pulp and paper	2,313	1,108	1,027	153	25	1,217	817	279	48	44	7	1	53	35	12
Agricultural machinery[3]	207	106	96	1	4	104	103[4]	—	51	46	1	2	50	50[4]	—
Automobiles and parts	573	51	521	1	—	15	558[4]	—	9	91	—	—	3	97[4]	—
Transportation equipment n.o.p.	253	103	64	86	—	55	85	113	41	25	34	—	22	33	45
Iron and steel mills	874*	696	70*	65	43	752	14*	108	80	8*	7	5	86	2*	12
Electrical apparatus	691	208	429	32	22	161	458	72	30	62	5	3	23	66	11
Chemicals	1,337	489	623	180	45	295	727	315	37	47	13	3	22	54	24
Other	5,888	2,426	2,756	491	215	1,790	3,154	944	41	47	8	4	30	54	16
Sub-totals	**13,654**	**6,219**	**5,995**	**1,080**	**360**	**5,451**	**6,308**	**1,895**	**46**	**44**	**8**	**2**	**40**	**46**	**14**
Petroleum and natural gas	7,295	2,592	3,945	380	378	1,841	4,609	845	36	54	5	5	26	62	12
Mining:															
Smelting and refining of non-ferrous native ores	1,066	513	415	84	54	521	545	—	48	39	8	5	49	51	—
Other mining	2,743	949	1,639	77	78	1,038	1,435	270	34	60	3	3	38	52	10
Sub-totals	**3,809**	**1,462**	**2,054**	**161**	**132**	**1,559**	**1,980**	**270**	**38**	**54**	**4**	**4**	**41**	**52**	**7**
Totals of above industries	**24,758**	**10,273**	**11,994**	**1,621**	**870**	**8,851**	**12,897**	**3,010**	**41**	**48**	**7**	**4**	**36**	**52**	**12**

[1] The figures in this table are subject to important statistical qualifications which are described under the note *"About the figures*—Estimated Values Total Capital and Resident-owned Capital in Some Areas of National Wealth", on pages 62-63 of "The Canadian Balance of International Payments, 1960 and International Investment Position".

[2] Includes "Other enterprises".

[3] Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

[4] Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in other manufacturing.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends, 1954-63[1]

Industry	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
	billions of dollars									
Total capital employed:[2]										
Manufacturing	8.3	8.9	10.0	10.7	11.0	11.7	12.2	12.7	13.1	13.7
Petroleum and natural gas	2.5	3.0	3.5	4.5	5.1	5.6	6.1	6.4	6.9	7.3
Other mining and smelting	1.9	2.1	2.5	2.8	2.9	3.1	3.3	3.4	3.6	3.8
Railways	4.1	4.2	4.4	4.6	4.9	5.2	5.3	5.4	5.4	5.3
Other utilities	5.3	5.8	6.4	7.4	8.0	8.5	9.2	10.3	10.6	12.2
Merchandising[3] and construction	6.1	6.6	7.3	7.8	8.5	9.5	9.4	9.4	9.5	9.8
Totals of above	**28.2**	**30.5**	**34.1**	**37.6**	**40.5**	**43.6**	**45.6**	**47.6**	**49.2**	**52.1**
Resident-owned capital:										
Manufacturing	4.4	4.7	5.2	5.4	5.4	5.7	5.8	5.9	6.0	6.2
Petroleum and natural gas	1.0	1.1	1.3	1.6	2.0	2.2	2.3	2.4	2.5	2.6
Other mining and smelting	0.9	1.0	1.1	1.3	1.3	1.3	1.3	1.3	1.3	1.5
Railways	2.7	2.8	2.9	3.2	3.5	3.8	3.9	4.0	4.1	4.1
Other utilities	4.6	5.0	5.5	6.3	6.9	7.3	7.9	9.0	9.2	10.6
Merchandising and construction	5.5	6.0	6.6	7.0	7.7	8.6	8.5	8.5	8.5	8.8
Totals of above	**19.1**	**20.6**	**22.7**	**24.8**	**26.7**	**28.8**	**29.9**	**31.1**	**31.8**	**33.8**
Non-resident-owned capital:[4]										
Manufacturing	3.9	4.2	4.8	5.3	5.6	6.0	6.4	6.8	7.1	7.4
Petroleum and natural gas	1.5	1.9	2.3	2.8	3.2	3.5	3.7	4.0	4.4	4.7
Other mining and smelting	1.0	1.1	1.3	1.6	1.7	1.8	2.0	2.1	2.3	2.3
Railways	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.2
Other utilities	0.7	0.7	0.9	1.0	1.1	1.2	1.3	1.3	1.3	1.5
Merchandising	0.6	0.6	0.7	0.7	0.8	0.9	0.9	0.9	1.0	1.0
Totals of above	**9.1**	**9.9**	**11.4**	**12.9**	**13.8**	**14.8**	**15.7**	**16.5**	**17.4**	**18.3**
United States-owned investments:[4]										
Manufacturing	3.1	3.3	3.8	4.2	4.4	4.8	5.1	5.4	5.7	6.0
Petroleum and natural gas	1.4	1.7	2.1	2.6	2.9	3.1	3.2*	3.4	3.7	3.9
Other mining and smelting	0.9	1.0	1.1	1.3	1.4	1.5	1.7	1.8	2.0	2.1
Railways	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other utilities	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.4
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
Totals of above	**7.0**	**7.6**	**8.7**	**9.9**	**10.7**	**11.5**	**12.1**	**12.9**	**13.6**	**14.6**
Total Canadian and foreign investment in enterprises controlled outside Canada:										
Manufacturing	4.3	4.6	5.2	5.9	6.3	6.7	7.2	7.5	7.8	8.2
Petroleum and natural gas	1.7	2.3	2.8	3.4	3.8	4.1	4.4	4.7	5.1	5.4
Other mining and smelting	1.0	1.2	1.4	1.7	1.8	1.9	2.0	2.0	2.1	2.3
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Merchandising	0.5	0.6	0.6	0.7	0.7	0.8	1.0	1.1	1.1	1.1
Totals of above	**8.0**	**9.3**	**10.5**	**12.2**	**13.1**	**14.0**	**15.2**	**15.7**	**16.7**	**17.6**
Total Canadian and foreign investment in enterprises controlled in the United States:										
Manufacturing	3.5	3.7	4.1	4.6	4.8	5.1	5.4	5.7	5.9	6.3
Petroleum and natural gas	1.7	2.2	2.6	3.1	3.5	3.7	3.9*	4.0	4.3	4.6
Other mining and smelting	0.9	1.1	1.3	1.5	1.5	1.6	1.7	1.8	1.9	2.0
Railways	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7
Totals of above	**6.9**	**7.9**	**8.8**	**10.0**	**10.7**	**11.5**	**12.0**	**12.6**	**13.2**	**14.0**

[1] For selected year ends 1926 to 1956 (without segregation of petroleum and natural gas industry) see Table XVI, "The Canadian Balance of International Payments, 1958 and International Investment Position".

[2] Estimated from "Taxation Statistics" and other sources.

[3] Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

[4] The figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been included with manufacturing and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, some of the year-to-year changes derived from the table may have only a limited significance and may from time to time be misleading. Because of rounding totals do not necessary equal the sum of their component parts.

TABLE XVII A. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1946 with Statistics of Manufacturing Operations for the Selected Enterprises, 1946

Classification by principal activity of enterprise

No.	Principal manufacturing activity of enterprise	All United States-controlled enterprises			Selected United States-controlled enterprises[1]		
					Percentage of all United States direct investment		
		Enterprises	Aggregate investment in Canada	United States ownership	Enterprises	Aggregate investment in Canada	United States ownership
		No.	millions of dollars		per cent		
1	Vegetable products	93	157	146	26	86	87
2	Animal products	30	49	42	20	90	90
3	Textiles	54	32	29	11	37	41
4	Wood and paper products	117	367	350	12	81	81
5	Iron and products	206	308	283	22	81	80
6	Non-ferrous metals	101	310	208	19	90	86
7	Non-metallic minerals	41	34	33	17	65	67
8	Chemicals and allied products	213	170	134	11	70	64
9	Miscellaneous manufactures	50	36	36	10	67	67
10	**Totals–Manufacturing enterprises**	**905**[3]	**1,463**	**1,261**	**17**	**81**	**79**
11	Manufacturing operations at selected United States-controlled petroleum refining, exploration and development, mining and merchandising enterprises	...	...	...	...	...	...
12	**Grand totals**	...	...	...	...	...	...

[1] Manufacturing enterprises are those included in the DBS report "United States Direct Investments in Canada: Statistics of investments in all companies and operations of the larger manufacturing companies" (1949) regrouped to correspond with corporate investment classification.
[2] Gross value of products reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XVII B. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1953 with Statistics of Manufacturing Operations for the Selected Enterprises, 1953

Classification by principal activity of enterprise

No.	Principal manufacturing activity of enterprise	All United States-controlled enterprises			Selected United States-controlled enterprises		
					Percentage of all United States direct investment		
		Enterprises	Aggregate investment in Canada	United States ownership	Enterprises	Aggregate investment in Canada	United States ownership
		No.	millions of dollars		per cent		
1	Vegetable products	101	290	261	40	90	91
2	Animal products	40	71	70	15	89	9(
3	Textiles	68	47	43	22	68	7(
4	Wood and paper products	137	678	560	25	95	9(
5	Iron and products	301	665	591	32	83	8:
6	Non-ferrous metals	156	822	519	28	96	9:
7	Non-metallic minerals	52	92	72	33	87	8:
8	Chemicals and allied products	266	368	266	15	86	8
9	Miscellaneous manufactures	79	66	65	14	80	8'
10	**Totals–Manufacturing enterprises**	**1,200**[2]	**3,099**	**2,447**	**25**	**90**	**8**
11	Manufacturing operations at selected United States-controlled petroleum refining, exploration and development, mining and merchandising enterprises	...	...	...	...	...	..
12	**Grand totals**	...	...	...	...	...	..

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.
[2] These concerns had 182 wholly-owned manufacturing subsidiaries in Canada.

TABLE XVII A. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1946 with Statistics of Manufacturing Operations for the Selected Enterprises, 1946

Classification by principal activity of enterprise

Enterprises	Aggregate investment in Canada	United States ownership	Selected United States-controlled enterprises[1]						
			Manufacturing operations classified by enterprise						
			Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Gross value of products[2]	
No.	millions of dollars		No.		millions of dollars				No.
24	135	127	78	20,641	36	139	108	251	1
6	44	38	72	8,831	16	108	28	137	2
6	12	12	7	3,432	5	9	9	18	3
14	296	284	58	16,628	36	100	89	204	4
45	250	227	73	48,398	93	218	154	378	5
19	278	179	59	38,424	69	113	133	258	6
7	22	22	12	2,366	5	9	12	23	7
24	119	86	89	12,321	22	60	77	144	8
5	24	24	9	4,674	9	16	18	34	9
150	**1,180**	**999**	**457**	**155,715**	**291**	**772**	**630**	**1,447**	10
...	...	...	20	11,796	24	213	67	296	11
...	...	...	**477**	**167,511**	**315**	**985**	**697**	**1,743**	12

[3] These concerns had 100 wholly-owned manufacturing subsidiaries in Canada.
[4] These concerns had 32 wholly-owned manufacturing subsidiaries in Canada.

TABLE XVII B. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1953 with Statistics of Manufacturing Operations for the Selected Enterprises, 1953

Classification by principal activity of enterprise

Enterprises	Aggregate investment in Canada	United States ownership	Selected United States-controlled enterprises						
			Manufacturing operations classified by enterprise						
			Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	
No.	millions of dollars		No.		millions of dollars				No.
40	262	238	122	31,370	99	335	312	654	1
6	63	63	53	8,248	26	166	50	219	2
15	32	30	23	6,343	16	23	26	50	3
34	643	526	141	30,457	117	290	285	608	4
96	554	486	133	79,013	293	866	580	1,458	5
44	786	486	97	58,661	200	368	433	835	6
17	80	61	27	7,059	25	49	57	115	7
40	317	216	122	21,588	74	181	217	411	8
11	53	52	17	17,009	61	77	106	184	9
303[3]	**2,790**	**2,157**	**735**	**259,748**	**911**	**2,354**	**2,066**	**4,535**	10
...	...	...	36	19,491	78	594	253	885	11
...	...	...	**771**	**279,239**	**989**	**2,948**	**2,319**	**5,420**	12

[3] These concerns had 58 wholly-owned manufacturing subsidiaries in Canada.

TABLE XVII C. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

No.	Principal manufacturing activity of enterprise	All United States-controlled enterprises			Selected United States-controlled enterprises		
		Enterprises[1]	Aggregate investment in Canada	United States ownership	Percentage of all United States direct investment		
					Enterprises	Aggregate investment in Canada	United States ownership
		No.	millions of dollars		per cent		
1	Vegetable products	115	528	488	42.6	96.4	97.4
2	Animal products	41	113	111	24.4	90.9	91.2
3	Textiles	78	85	72	25.6	77.2	76.7
4	Wood and paper products	176	1,003	886	30.1	97.5	97.9
5	Iron and products	425	1,301	1,198	34.4	93.7	93.9
6	Non-ferrous metals	222	1,241	890	33.3	96.5	95.8
7	Non-metallic minerals	63	167	134	42.9	92.3	91.6
8	Chemicals and allied products	282	570	478	23.8	89.9	89.1
9	Miscellaneous manufactures	106	94	91	22.6	79.2	80.6
10	**Totals – Manufacturing enterprises**	**1,504**[3]	**5,102**	**4,348**	**30.9**	**94.3**	**94.3**
11	Manufacturing operations at other selected United-States-controlled enterprises	...	...	...	...	...	...
12	**Grand totals**	...	...	...	...	...	...

[1] Totals have been corrected for the exceptional allocation of enterprises to more than one industrial group.
[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XVII D. Investment in All and in Selected Manufacturing Enterprises in Canada Controlled in the United Kingdom and Other Foreign Countries, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

No.	Principal manufacturing activity of enterprise	All enterprises controlled in the United Kingdom and other foreign countries			Selected enterprises controlled in the United Kingdom and other foreign countries		
		Enterprises[1]	Aggregate investment in Canada	Direct investment	Percentage of all direct investment		
					Enterprises	Aggregate investment in Canada	Direct investment
		No.	millions of dollars		per cent		
1	Vegetable products	19	283	149	68.4	98.3	97.8
2	Animal products	10	12	11	40.0	88.8	87.8
3	Textiles	24	52	46	41.7	92.3	92.6
4	Wood and paper products	39	337	147	35.9	97.6	91.8
5	Iron and products	74	379	243	40.5	95.1	94.7
6	Non-ferrous metals	44	172	93	38.6	94.9	92.7
7	Non-metallic minerals	23	207	106	52.2	98.4	97.9
8	Chemicals and allied products	43	276	193	48.8	97.1	96.6
9	Miscellaneous manufactures	9	7	6	22.2	63.7	58.4
	Totals – Manufacturing enterprises:						
10	**United Kingdom**	**194**	**1,359**	**768**	**43.0**	**96.8**	**95.4**
11	**Other foreign countries**	**82**	**366**	**226**	**32.9**	**95.5**	**93.0**
	Manufacturing operations at other selected enterprises controlled in the United Kingdom and other foreign countries:						
12	United Kingdom	...	...	...	...	...	...
13	Other foreign countries	...	...	...	...	...	...
	Grand totals:						
14	**United Kingdom**	...	...	...	...	...	...
15	**Other foreign countries**	...	...	...	...	...	...

[1] Totals have been corrected for the exceptional allocation of enterprises to more than one industrial group.

TABLE XVII C. Investment in All and in Selected United States-controlled Manufacturing Enterprises in Canada, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

Selected United States-controlled enterprises									
Enterprises[1]	Aggregate investment in Canada	United States ownership	Manufacturing operations classified by enterprise						
			Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]	
No.	millions of dollars		No.		millions of dollars				No.
49	509	476	176	34,000	144	519	432	969	1
10	103	101	78	10,746	46	249	87	336	2
20	66	56	31	7,412	24	48	54	103	3
53	978	867	109	32,149	161	359	366	761	4
146	1,220	1,125	256	91,346	470	1,226	904	2,135	5
74	1,197	852	151	51,373	253	497	501	1,008	6
27	154	123	57	7,256	33	64	85	157	7
67	513	426	137	19,096	96	251	346	616	8
24	75	74	28	6,123	29	46	55	103	9
465	**4,815**	**4,100**	**1,023**	**259,501**	**1,256**	**3,259**	**2,830**	**6,188**	10
...	...	...	81	24,943	135	1,087	583	1,708	11
...	...	...	**1,104**	**284,444**	**1,391**	**4,346**	**3,413**	**7,896**	12

[3] These concerns had 417 wholly-owned manufacturing subsidiaries in Canada.

TABLE XVII D. Investment in All and in Selected Manufacturing Enterprises in Canada Controlled in the United Kingdom and Other Foreign Countries, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

Selected enterprises controlled in the United Kingdom and other foreign countries									
Enterprises[1]	Aggregate investment in Canada	Direct investment	Manufacturing operations classified by enterprise						
			Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]	
No.	millions of dollars		No.		millions of dollars				No.
13	278	146	58	16,141	66	236	191	423	1
4	11	10	9	666	2	25	10	35	2
10	47	42	22	3,918	15	35	25	62	3
14	329	135	38	11,169	56	108	111	231	4
30	361	230	59	29,917	146	220	209	434	5
17	163	86	25	8,297	40	95	66	167	6
12	204	104	24	2,738	14	19	33	56	7
21	268	187	90	10,374	50	136	159	304	8
2	4	3	3	531	2	3	3	5	9
86	**1,316**	**732**	**269**	**75,081**	**350**	**760**	**701**	**1,490**	10
27	**349**	**211**	**59**	**8,670**	**41**	**117**	**106**	**227**	11
...	...	...	20	2,062	9	52	24	78	12
...	...	...	12	2,156	11	77	23	100	13
...	...	...	**289**	**77,143**	**359**	**812**	**725**	**1,568**	14
...	...	...	**71**	**10,826**	**52**	**194**	**129**	**327**	15

[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XVII E. Investment in All and in Selected Foreign-controlled Manufacturing Enterprises in Canada, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

No.	Principal manufacturing activity of enterprise	All foreign-controlled enterprises			Selected foreign-controlled enterprises		
		Enterprises[1]	Aggregate investment in Canada	Direct investment	Percentage of all direct investment		
					Enterprises	Aggregate investment in Canada	Direct investment
		No.	millions of dollars		per cent		
1	Vegetable products	134	811	637	46.3	97.1	97.5
2	Animal products	51	125	122	27.5	90.7	90.9
3	Textiles	102	137	118	29.4	82.9	82.8
4	Wood and paper products	215	1,340	1,033	31.2	97.6	97.0
5	Iron and products	499	1,680	1,441	35.3	94.0	94.0
6	Non-ferrous metals	266	1,413	983	34.2	96.3	95.5
7	Non-metallic minerals	86	374	240	45.3	95.7	94.4
8	Chemicals and allied products	325	846	671	27.1	92.2	91.2
9	Miscellaneous manufactures	115	101	97	22.6	78.1	79.3
10	**Totals—Manufacturing enterprises**	**1,780**	**6,827**	**5,342**	**32.5**	**94.9**	**94.4**
11	Manufacturing operations at other selected foreign-controlled enterprises	...	...	...	...	...	...
12	**Grand totals**	...	...	...	...	...	...

[1] Totals have been corrected for the exceptional allocation of enterprises to more than one industry group.

TABLE XVIII A. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1953

Classification by geographic region

No.	Area	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
		No.		millions of dollars			
1	Atlantic Provinces	3,840	68,895	166	406	312	745
2	Quebec	12,132	441,555	1,226	2,816	2,425	5,387
3	Ontario	13,114	634,554	2,018	4,560	4,130	8,877
4	Prairie Provinces	4,674	88,426	246	872	509	1,407
5	British Columbia[2]	4,347	94,021	301	726	617	1,369
6	**Totals**	**38,107**	**1,327,451**	**3,957**	**9,381**	**7,993**	**17,785**

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XVIII B. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961

Classification by geographic region

No.	Area	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
		No.		millions of dollars			
1	Atlantic Provinces	2,204	60,864	203	511	397	940
2	Quebec	10,955	423,729	1,626	3,983	3,208	7,327
3	Ontario	12,081	591,415	2,597	6,337	5,430	11,957
4	Prairie Provinces	3,660	91,282	364	1,229	783	2,048
5	British Columbia[2]	3,515	97,656	441	1,068	864	1,971
6	**Totals**	**32,415**	**1,264,946**	**5,231**	**13,128**	**10,682**	**24,243**

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.
[2] Also includes Yukon and Northwest Territories.

TABLE XVII E. Investment in All and in Selected Foreign-controlled Manufacturing Enterprises in Canada, End of 1960 with Statistics of Manufacturing Operations for the Selected Enterprises, 1961

Classification by principal activity of enterprise

Enterprises[1]	Aggregate investment in Canada	Direct investment	Selected foreign-controlled enterprises: Manufacturing operations classified by enterprise — Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]	No.
No.	millions of dollars		No.		millions of dollars				
62	787	622	234	50,141	210	755	623	1,392	1
14	114	111	87	11,412	48	274	97	371	2
30	113	98	53	11,330	39	83	79	165	3
67	1,307	1,002	147	43,318	217	467	477	992	4
176	1,581	1,355	315	121,263	616	1,446	1,113	2,569	5
91	1,360	938	176	59,670	293	592	567	1,175	6
39	358	227	81	9,994	47	83	118	213	7
88	781	613	227	229,470	146	387	505	920	8
26	79	77	31	6,654	31	49	58	108	9
578	**6,480**	**5,043**	**1,351**	**343,252**	**1,647**	**4,136**	**3,637**	**7,905**	10
...	...	...	113	29,161	155	1,216	630	1,886	11
...	...	...	**1,464**	**372,413**	**1,802**	**5,352**	**4,267**	**9,791**	12

[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XVIII A. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1953

Classification by geographic region

Selected United States-controlled manufacturing establishments: Percentage of all manufacturing establishments — Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	No.
per cent						No.		millions of dollars				
0.5	3.5	5.4	11.1	6.2	9.2	19	2,403	9	45	19	69	1
1.6	17.8	21.2	24.3	25.5	25.4	199	78,463	264	686	619	1,368	2
3.3	29.0	33.0	41.6	37.6	39.7	434	184,190	665	1,898	1,555	3,525	3
1.4	7.9	9.8	25.1	13.2	20.8	67	6,989	24	219	67	293	4
1.2	7.7	8.8	13.8	9.6	12.0	52	7,194	27	100	59	164	5
2.0	**21.0**	**25.0**	**31.4**	**29.0**	**30.5**	**771**	**279,239**	**989**	**2,948**	**2,319**	**5,420**	6

[2] Also includes Yukon and Northwest Territories.

TABLE XVIII B. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961

Classification by geographic region

Selected United States-controlled manufacturing establishments: Percentage of all manufacturing establishments — Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	No.
per cent						No.		millions of dollars				
1.0	6.1	7.8	21.2	13.9	17.7	23	3,705	16	109	55	166	1
2.0	16.8	21.0	23.2	25.7	24.2	218	71,209	342	923	824	1,776	2
5.5	30.9	34.6	42.7	39.6	41.3	664	182,864	900	2,703	2,149	4,935	3
3.2	13.8	16.6	29.1	26.4	28.1	119	12,613	60	357	207	575	4
2.3	14.4	16.5	23.8	20.6	22.5	81	14,053	73	254	178	444	5
3.4	**22.5**	**26.6**	**33.1**	**31.9**	**32.6**	**1,104**[3]	**284,444**	**1,391**	**4,346**	**3,413**	**7,896**	6

[3] Total corrected for the exceptional allocation of the establishments of an international enterprise to more than one country of control.

TABLE XIX A. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961[1]

Classification by establishment and twenty industry grouping

No.	Industrial group	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]
		No.		millions of dollars			
1	Food and beverage industries	7,444	188,855	688	3,149	1,705	4,905
2	Tobacco products industries	38	9,442	39	205	129	335
3	Rubber industries	93	18,860	82	149	172	331
4	Leather industries	555	31,413	90	151	140	291
5	Textile industries	883	62,544	213	468	393	875
6	Knitting mills	358	21,459	57	117	101	219
7	Clothing industries	2,307	87,728	234	428	377	802
8	Wood industries	5,251	80,042	280	585	431	1,035
9	Furniture and fixture industries	2,089	33,153	112	175	185	362
10	Paper and allied industries	569	94,862	471	1,021	1,071	2,206
11	Printing, publishing and allied industries	3,428	72,779	328	276	591	872
12	Primary metal industries	410	87,238	458	1,592	1,130	2,806
13	Metal fabricating industries	2,859	94,611	422	734	739	1,493
14	Machinery industries	546	42,083	196	304	330	640
15	Transportation equipment industries	671	107,709	522	1,130	829	1,961
16	Electrical products industries	531	79,531	354	585	617	1,206
17	Non-metallic mineral products	1,292	40,128	174	250	381	675
18	Petroleum and coal products industries	91	14,053	85	921	291	1,220
19	Chemicals and chemical products industries	1,072	52,167	254	624	761	1,434
20	Miscellaneous manufacturing industries	1,928	46,289	172	264	309	571
21	**Grand totals**	**32,415**	**1,264,946**	**5,231**	**13,128**	**10,682**	**24,24**

[1] Comparable data are not available for earlier years although a somewhat similar distribution for selected United States-controlled establishments i 1953 will be found in Table XVIII of "Canada's International Investment Position, Selected Years, 1926 to 1954", (DBS Catalogue No. 67-503; Occasional).

TABLE XIX A. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961[1]

Classification by establishment and twenty industry grouping

Selected United States-controlled manufacturing establishments												
Percentage of all manufacturing establishments						Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]	
Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]							
per cent						No.		millions of dollars				No.
2.8	14.5	16.9	18.9	21.5	19.7	210	27,431	116	595	366	967	1
21.0	13.2	9.3	19.3	6.7	16.2	8	1,250	4	40	9	54	2
23.7	67.0	71.8	78.4	76.2	76.9	22	12,634	59	117	131	255	3
2.7	9.1	10.4	10.9	10.9	10.6	15	2,847	9	16	15	31	4
3.3	12.3	14.0	16.5	20.9	18.4	29	7,716	30	77	82	161	5
2.0	6.7	6.6	6.7	8.0	7.3	7	1,436	4	8	8	16	6
0.3	1.9	2.1	1.9	2.9	2.3	7	1,645	5	8	11	19	7
0.7	6.9	8.7	9.8	8.3	9.0	40	5,511	24	57	36	93	8
0.5	6.4	7.2	5.9	6.6	6.3	11	2,132	8	10	12	23	9
12.8	27.4	28.8	30.8	30.2	30.5	73	25,964	135	314	324	674	10
0.4	2.2	2.3	5.1	3.7	4.1	13	1,601	7	14	22	36	11
11.5	36.2	36.3	34.6	47.5	40.0	47	31,577	166	551	537	1,123	12
3.9	19.4	21.4	26.0	27.0	26.5	112	18,314	90	191	200	395	13
12.6	36.4	37.3	41.2	42.8	42.1	69	15,305	73	125	141	269	14
6.5	46.7	51.9	73.6	58.3	66.8	44	50,239	271	831	483	1,310	15
17.5	41.0	43.6	42.6	45.4	44.6	93	32,618	154	250	280	537	16
3.8	17.7	19.8	23.0	22.7	22.4	49	7,118	35	58	87	151	17
39.6	60.6	59.7	80.3	77.8	79.5	36	8,514	51	739	226	970	18
14.9	35.4	37.2	40.5	44.9	43.0	160	18,474	95	252	341	617	19
3.1	26.2	31.9	35.1	33.0	34.0	59	12,118	55	93	102	195	20
3.4	**22.5**	**26.6**	**33.1**	**31.9**	**32.6**	**1,104**	**284,444**	**1,391**	**4,346**	**3,413**	**7,896**	21

[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XIX B. Percentage of Operations of All Canadian Manufacturing Establishments Represented by Selected Establishments Controlled in All Foreign Countries, 1961[1]

Classification by establishment and twenty industry grouping

Industrial group	Selected manufacturing establishments controlled in all foreign countries — Percentage of all manufacturing establishments					
	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]
	per cent					
Food and beverage industries	3.6	19.8	22.3	23.6	27.1	24.7
Tobacco products industries	[3]	[3]	[3]	[3]	[3]	[3]
Rubber industries	[3]	[3]	[3]	[3]	[3]	[3]
Leather industries	2.7	9.1	10.4	10.9	10.9	10.6
Textile industries	5.2	19.7	22.7	24.2	29.2	26.6
Knitting mills	[3]	[3]	[3]	[3]	[3]	[3]
Clothing industries	0.3	1.9	2.1	1.9	2.9	2.3
Wood industries	0.9	8.1	10.2	10.9	9.6	10.2
Furniture and fixture industries	[3]	[3]	[3]	[3]	[3]	[3]
Paper and allied industries	17.2	38.1	39.7	41.3	39.9	40.6
Printing, publishing and allied industries	0.7	3.9	3.8	7.5	5.2	5.9
Primary metal industries	15.1	44.0	44.4	41.5	53.1	46.5
Metal fabricating industries	4.8	29.1	31.6	33.7	35.6	34.7
Machinery industries	15.0	43.9	45.0	48.9	50.3	49.6
Transportation equipment industries	9.2	58.8	63.9	80.5	68.8	75.2
Electrical products industries	21.7	50.7	54.0	54.4	54.6	55.0
Non-metallic mineral products	5.8	25.0	28.1	31.4	31.7	31.2
Petroleum and coal products industries	47.3	68.3	67.6	91.3	86.0	89.9
Chemicals and chemical products industries	22.9	51.9	54.0	59.0	63.3	61.5
Miscellaneous manufacturing industries	3.1[3]	29.6[3]	35.9[3]	43.3[3]	41.9[3]	42.5[3]
Totals[4]	**4.5**	**29.4**	**34.5**	**40.8**	**39.9**	**40.4**

[1] Comparable data are not available for earlier years although a somewhat similar distribution for selected United States-controlled establishments in 1953 will be found in Table XVIII of "Canada's International Investment Position, Selected Years, 1926 to 1954", DBS Cat. No. 67-503, Occasional.

[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

[3] Separate details for tobacco products, rubber, knitting mills and furniture and fixture industries not publishable; all included with miscellaneous manufacturing industries.

[4] A breakdown of the totals by country of control is given in Table XXD.

TABLE XIX C. Operations of All Canadian Manufacturing Establishments and of Selected Establishments Controlled in the United Kingdom and Other Foreign Countries, 1961[1]

Classification by establishment and twenty industry grouping

Industrial group	Selected manufacturing establishments controlled in the United Kingdom and other foreign countries											
	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]	Percentage of all manufacturing establishments in Canada					
							Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[2]
	No.		millions of dollars				per cent					
Food and beverage industries	56	9,879	37	147	97	246	0.8	5.3	5.4	4.7	5.6	5.0
Tobacco products industries	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Rubber industries	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Leather industries	—	—	—	—	—	—	—	—	—	—	—	—
Textile industries	17	4,617	19	36	32	71	1.9	7.4	8.7	7.7	8.3	8.2
Knitting mills	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Clothing industries	—	—	—	—	—	—	—	—	—	—	—	—
Wood industries	9	943	4	7	6	13	0.2	1.2	1.5	1.1	1.3	1.2
Furniture and fixture industries	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Paper and allied industries	25	10,187	52	107	104	223	4.4	10.7	10.9	10.5	9.7	10.1
Printing, publishing and allied industries	12	1,204	5	7	9	15	0.3	1.7	1.5	2.4	1.5	1.8
Primary metal industries	15	6,767	37	110	63	182	3.6	7.8	8.1	6.9	5.6	6.5
Metal fabricating industries	26	9,178	43	56	63	123	0.9	9.7	10.2	7.7	8.6	8.2
Machinery industries	13	3,149	15	23	25	48	2.4	7.5	7.7	7.7	7.5	7.5
Transportation equipment industries	18	13,070	62	78	87	164	2.7	12.1	12.0	6.9	10.5	8.4
Electrical products industries	22	7,723	37	69	57	126	4.2	9.7	10.4	11.8	9.2	10.4
Non-metallic mineral products	26	2,933	14	21	34	59	2.0	7.3	8.3	8.4	9.0	8.8
Petroleum and coal products industries	5	1,084	7	102	24	128	5.5	7.7	7.9	11.0	8.2	10.4
Chemicals and chemical products industries	84	8,626	42	116	140	265	7.8	16.5	16.8	18.5	18.4	18.5
Miscellaneous manufacturing industries	32[3]	8,609[3]	37[3]	127[3]	113[3]	232[3]	0.7[3]	6.7[3]	8.0[3]	13.9[3]	12.7[3]	12.7[3]
Totals[4]	**360**	**87,969**	**411**	**1,006**	**854**	**1,895**	**1.1**	**6.9**	**7.9**	**7.7**	**8.0**	**7.8**

[1] Comparable data are not available for earlier years although a somewhat similar distribution for selected United States-controlled establishments in 953 will be found in Table XVIII of "Canada's International Investment Position, Selected Years, 1926 to 1954", DBS Catalogue No. 67-503, Occasional.

[2] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

[3] Separate details for tobacco products, rubber, knitting mills and furniture and fixture industries not publishable; all included with miscellaneous manufacturing industries.

[4] A breakdown of the totals by country of control is given in Table XXE.

TABLE XX A. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1946

Classification by establishment and nine industry grouping

No.	Industrial group	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Gross value of products[2]
		No.		millions of dollars			
1	Vegetable products	5,916	137,170	207	871	576	1,470
2	Animal products	4,528	102,844	152	849	271	1,132
3	Textiles	3,082	164,737	228	460	418	889
4	Wood and paper products	11,994	224,121	366	679	749	1,484
5	Iron and products	2,358	249,279	476	635	735	1,406
6	Non-ferrous metals	740	84,853	150	413	278	719
7	Non-metallic minerals	910	36,493	64	240	174	446
8	Chemicals and allied products	1,017	37,278	67	159	204	376
9	Miscellaneous manufactures	704	21,381	32	50	61	113
10	**Totals**	**31,249**	**1,058,156**	**1,741**	**4,358**	**3,467**	**8,036**

[1] Manufacturing establishments are those included in the DBS report "United States Direct Investments in Canada: Statistics of investments in all companies and operations of the larger manufacturing companies" (1949) together with manufacturing establishments of selected United States direct investment mining and merchandising enterprises and regrouped by product manufactured.

TABLE XX B. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1953

Classification by establishment and nine industry grouping

No.	Industrial group	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
		No.		millions of dollars			
1	Vegetable products	5,776	146,235	389	1,403	1,063	2,502
2	Animal products	3,175	95,576	235	1,263	435	1,717
3	Textiles	4,041	193,261	439	828	714	1,559
4	Wood and paper products	17,174	285,276	841	1,542	1,709	3,354
5	Iron and products	3,319	344,295	1,199	2,017	2,102	4,188
6	Non-ferrous metals	973	128,914	429	1,110	916	2,090
7	Non-metallic minerals	1,194	51,464	174	710	451	1,232
8	Chemicals and allied products	1,105	50,207	165	404	448	882
9	Miscellaneous manufactures	1,350	32,223	86	103	155	261
10	**Totals**	**38,107**	**1,327,451**	**3,957**	**9,381**	**7,993**	**17,785**

[1] Selling value of factory shipments reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XX C. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961

Classification by establishment and nine industry grouping

No.	Industrial group	All Canadian manufacturing establishments					
		Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
		No.		millions of dollars			
1	Vegetable products	5,171	143,654	537	1,825	1,515	3,385
2	Animal products	3,418	109,564	379	1,867	658	2,544
3	Textiles	3,104	168,055	491	976	848	1,837
4	Wood and paper products	11,699	287,996	1,216	2,094	2,323	4,557
5	Iron and products	4,032	288,270	1,378	2,649	2,400	5,110
6	Non-ferrous metals	1,028	126,482	585	1,724	1,266	3,042
7	Non-metallic minerals	1,383	54,181	259	1,171	672	1,895
8	Chemicals and allied products	1,350	59,719	280	682	811	1,543
9	Miscellaneous manufactures	1,230	27,025	106	140	189	330
10	**Totals**	**32,415**	**1,264,946**	**5,231**	**13,128**	**10,682**	**24,243**

[1] Selling value of factory shipments reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XX A. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1946

Classification by establishment and nine industry grouping

Selected United States-controlled manufacturing establishments[1]												
Percentage of all manufacturing establishments												
Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Gross value of products[2]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Gross value of products[2]	No.
per cent						No.		millions of dollars				
1.4	14	17	15	19	17	80	19,713	35	135	107	245	1
1.5	9	11	13	10	12	66	8,830	16	111	28	140	2
0.5	3	4	4	5	4	15	5,556	8	20	19	39	3
0.6	8	10	16	13	15	68	17,682	37	109	96	219	4
3.4	21	21	36	23	29	81	52,907	102	226	171	406	5
6.9	50	52	51	54	53	51	42,289	78	212	151	382	6
2.7	20	23	47	27	38	25	7,120	15	114	47	169	7
8.2	28	28	30	33	32	83	10,611	19	48	67	120	8
1.1	13	16	22	20	20	8	2,803	5	11	12	23	9
1.5	**16**	**18**	**23**	**20**	**22**	**477**	**167,511**	**315**	**985**	**697**	**1,743**	10

[2] Gross value of products reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.

TABLE XX B. Manufacturing Operations of All Canadian Establishments and of Selected United States-controlled Establishments, 1953

Classification by establishment and nine industry grouping

Selected United States-controlled manufacturing establishments												
Percentage of all manufacturing establishments												
Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	No.
per cent						No.		millions of dollars				
2.0	20	24	23	29	26	118	29,943	95	324	308	639	1
1.6	9	11	14	12	13	51	8,214	26	175	54	231	2
8.7	5	6	7	8	8	35	9,925	27	62	54	118	3
9.2	11	15	20	17	19	159	32,431	123	308	299	641	4
4.2	28	30	47	33	39	142	96,603	358	943	691	1,651	5
8.8	50	52	52	60	56	86	64,737	225	576	550	1,178	6
3.7	27	31	56	31	46	44	13,691	54	401	142	569	7
10.8	37	39	35	42	39	119	18,451	64	141	187	340	8
1.3	16	20	17	22	20	17	5,244	17	18	34	52	9
2.0	**21**	**25**	**31**	**29**	**30**	**771**	**279,289**	**989**	**2,948**	**2,319**	**5,420**	10

TABLE XX C. Operations of All Canadian Manufacturing Establishments and of Selected United States-controlled Establishments, 1961

Classification by establishment and nine industry grouping

Selected United States-controlled manufacturing establishments												
Percentage of all manufacturing establishments												
Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	No.
per cent						No.		millions of dollars				
3.4	22.6	25.9	27.8	28.3	28.2	178	32,420	139	508	428	955	1
2.3	11.0	13.1	13.9	14.4	13.9	78	12,026	50	260	94	354	2
1.4	6.4	7.8	9.5	11.9	10.7	43	10,797	38	93	101	196	3
1.2	12.5	14.7	19.2	17.4	18.5	140	35,973	179	403	403	842	4
5.9	30.2	32.6	44.2	35.7	39.7	239	87,085	450	1,171	856	2,030	5
12.9	49.0	52.9	45.7	62.6	53.3	133	61,970	309	788	793	1,622	6
6.1	28.8	32.8	67.8	46.3	58.9	85	15,582	85	794	311	1,116	7
12.8	32.9	35.4	39.1	43.2	41.5	173	19,630	99	266	351	641	8
2.8	33.2	39.6	45.2	40.1	42.4	35	8,961	42	63	76	140	9
3.4	**22.5**	**26.6**	**33.1**	**31.9**	**32.6**	**1,104**	**284,444**	**1,391**	**4,346**	**3,413**	**7,896**	10

TABLE XXD. Percentage of Operations of All Canadian Manufacturing Establishments Represented by Selected Establishments Controlled in All Foreign Countries, 1961

Classification by establishment and nine industry grouping

Industry group	Selected manufacturing establishments controlled in all foreign countries — Percentage of all manufacturing establishments					
	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
	per cent					
Vegetable products	4.6	34.0	38.4	41.2	41.2	41.1
Animal products	[2]	[2]	[2]	[2]	[2]	[2]
Textiles	2.0	9.3	11.6	13.3	15.8	14.6
Wood and paper products	1.6	17.0	19.8	25.1	22.6	24.1
Iron and products	7.6	40.9	43.5	52.8	44.7	48.6
Non-ferrous metals	15.5	56.1	60.5	52.0	68.7	59.6
Non-metallic minerals	8.4	36.2	40.9	78.3	54.9	68.8
Chemicals and allied products	19.8	48.1	51.3	56.9	60.9	59.3
Miscellaneous manufactures	2.7[2]	16.1[2]	19.6[2]	17.1[2]	20.9[2]	18.1[2]
Totals	**4.5**	**29.4**	**34.5**	**40.8**	**39.9**	**40.4**
United States	3.4	22.5	26.6	33.1	31.9	32.6
United Kingdom	0.9	6.1	6.9	6.2	6.8	6.5
Other foreign countries	0.2	0.8	1.0	1.5	1.2	1.3

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.
[2] Details for animal products not publishable; included with miscellaneous manufactures.

TABLE XXE. Operations of All Canadian Manufacturing Establishments and of Selected Establishments Controlled in the United Kingdom and Other Foreign Countries, 1961

Classification by establishment and nine industry grouping

Industry group	Selected manufacturing establishments controlled in the United Kingdom and other foreign countries											
							Percentage of all manufacturing establishments in Canada					
	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]	Establishments	Employees	Salaries and wages	Cost at plant of materials used	Value added by manufacture	Selling value of factory shipments[1]
	No.		millions of dollars				per cent					
Vegetable products	61	61,388	67	245	196	436	1.2	11.4	12.5	13.4	13.0	12.9
Animal products	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Textiles	18	4,767	19	37	33	72	0.6	2.8	3.9	3.8	3.9	3.9
Wood and paper products	51	12,879	63	123	122	257	0.4	4.5	5.2	5.9	5.2	5.7
Iron and products	67	30,863	150	228	218	452	1.7	10.7	10.9	8.6	9.1	8.9
Non-ferrous metals	26	8,988	44	108	77	190	2.5	7.1	7.6	6.3	6.1	6.3
Non-metallic minerals	31	4,017	21	123	58	187	2.2	7.4	8.1	10.5	8.6	9.9
Chemicals and allied products	94	9,091	44	122	143	274	7.0	15.2	15.9	17.9	17.7	17.8
Miscellaneous manufactures	12[2]	976[2]	3[2]	20[2]	7[2]	27[2]	0.3[2]	0.7[2]	0.7[2]	1.0[2]	0.8[2]	0.9[2]
Totals	**360**	**87,969**	**411**	**1,006**	**854**	**1,895**	**1.1**	**6.9**	**7.9**	**7.7**	**8.0**	**7.8**
United Kingdom	289	77,143	359	812	725	1,568	0.9	6.1	6.9	6.2	6.8	6.5
Other foreign countries	71	10,826	52	194	129	327	0.2	0.8	1.0	1.5	1.2	1.3

[1] Selling value reflects cost of fuel and electricity (not shown) in addition to cost at plant of materials used and value added by manufacture.
[2] Details for animal products not publishable; included with miscellaneous manufactures.

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